



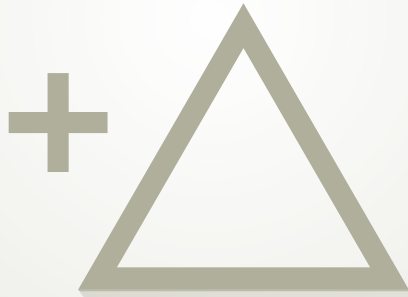
Enriching Lives

**KIRLOSKAR PNEUMATIC CO. LTD.**

38<sup>th</sup> Annual Report 2012-13

*Decades of positive change*





**Positive Change!**

*It has been our reason to be, for decades now. And, it is this thought that has been the inspiration behind a gazillion smiles, across the globe.*

Through critical engineering solutions across industries; be it the water that quenches thirst of millions across regions or keeps mega power plants cool, or the engines that power countless applications, generating sets that provide standby power from telecom to defence and the refrigeration that saves millions of tonnes of food stock - Kirloskar has been working reliably and efficiently to spread and earn more and more smiles.



**Your company has brought about a positive change by:**

- Developing the 1<sup>st</sup> indigenously designed 1 MW Planetary Gearbox for Windmills Renewable Energy
- Saving valuable foreign exchange by supplying indigenously designed hydrocarbon based Refrigeration and Gas Compression packages for the Oil & Gas Industry
- Pioneering the use of Ammonia as a refrigerant in India - Zero ODP and Zero GWP
- Focusing on CSR activities by way of inculcating Environmental awareness in children

To see how Kirloskar has enriched lives, watch Television Commercials at [www.kirloskarsolutions.in](http://www.kirloskarsolutions.in)

**BOARD OF DIRECTORS**

Mr. Rahul C. Kirloskar Executive Chairman  
Mr. Atul C. Kirloskar  
Mr. Sanjay C. Kirloskar  
Mr. Vikram S. Kirloskar  
Mr. A. C. Mukherji  
Mr. J. Y. Tekawade  
Mr. P. S. Jawadekar  
Mr. G. Krishna Rao  
Mr. D. R. Swar  
Mr. Sunil Shah Singh  
Mr. Aditya Kowshik Managing Director

**COMPANY SECRETARY**

Mr. Jitendra R. Shah

**STATUTORY AUDITORS**

M/s. P. G. Bhagwat  
Chartered Accountants, Pune

**BANKERS**

Bank of India Union Bank of India  
Bank of Maharashtra HDFC Bank Ltd.  
ICICI Bank Ltd.

**REGISTRAR &  
TRANSFER AGENTS****LINK INTIME (INDIA) PVT. LTD.****Pune Office :**

Akshay Complex, No. 202,  
2<sup>nd</sup> Floor, Near Ganesh Temple,  
Off. Dhole Patil Road,  
Pune 411 001

**Mumbai Office :**

C-13, Pannalal Silk Mills Compound,  
LBS Marg,  
Bhandup West,  
Mumbai 400 078

**REGISTERED OFFICE**

**Hadapsar Industrial Estate,**  
Pune 411 013

**LOCATION OF PLANTS**

**Pune, Saswad and Nashik**

**Information for shareholders****Annual General Meeting**

Day & Date : Tuesday,  
July 23, 2013  
Time : 02.30 p.m.  
Venue : Pudumjee Hall  
Maharatta Chamber of Commerce,  
Industries and Agriculture,  
Tilak Road,  
Pune 411 002  
Date of Book : July 16, 2013 to  
Closure July 23, 2013  
(both days inclusive)

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**NOTICE OF 38th ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 38th Annual General Meeting of the Members of Kirloskar Pneumatic Company Limited will be held on Tuesday the 23rd day of July, 2013 at 2.30 pm. at Pudamjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune 411002 to transact the following business :

**ORDINARY BUSINESS**

- 1 To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2013 and the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2013 and the Auditors' and Directors' Report thereon.
- 2 To declare dividend on equity shares for the financial year ended on 31<sup>st</sup> March, 2013.
- 3 To appoint a Director in place of Mr. J. Y. Tekawade, who retires by rotation and being eligible, offers himself for re-appointment.
- 4 To appoint a Director in place of Mr. P. S. Jawadekar, who retires by rotation and being eligible, offers himself for re-appointment.
- 5 To appoint a Director in place of Mr. Rahul C. Kirloskar, who retires by rotation and being eligible, offers himself for re-appointment.
- 6 To appoint a Director in place of Mr. Vikram S. Kirloskar, who retires by rotation and being eligible, offers himself for re-appointment.
- 7 To appoint Statutory Auditors to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

**NOTES :**

- 1 A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.
- 2 The Proxy Form duly executed and stamped should reach the Company's Registered Office 48 hours before the time of the Meeting.
- 3 The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday the 16<sup>th</sup> day of July, 2013 to Tuesday, the 23<sup>rd</sup> day of July, 2013 (both days inclusive).
- 4 The dividend as recommended by the Board, if declared at the meeting, will be paid after 23<sup>rd</sup> July, 2013 to those members whose names appear on the Company's Register of Members on 16<sup>th</sup> July, 2013. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).
- 5 In order to get their dividend through Electronic Clearing Service (ECS) members who are holding shares in physical form are requested to inform their Bank Account Details i.e Name of the Bank, Branch, its address, Account Number and Type of Account to Link Intime India Pvt. Ltd. (LIPL) or to the Company. Shareholders holding shares in Electronic Form are requested to inform their Bank Account details to their respective Depository Participants. Those shareholders who do not opt for ECS facility may inform their details to the LIPL for printing the same on the Dividend Warrants to ensure safety.
- 6 Under the provisions of the Income Tax Act, 1961, dividend amount is tax free in the hands of shareholders.
- 7 Members are hereby informed that unclaimed dividend, if any upto the financial year 2005-06 have already been deposited by the Company to the Investor Education & Protection Fund (IEPF) constituted by the Central Government under Section 205C of the Companies Act, 1956. Further, under the amended provisions of Section 205B of the Companies Act, 1956, no claim shall lie for the unclaimed dividend from IEPF by the shareholders.
- 8 Members are requested to sign at the place provided on the attendance slip and handover the same at the entrance of the Meeting.
- 9 Queries on Accounts of the Company, if any, may please be sent to the Company Secretary at the Registered Office of the Company seven (7) days in advance of the Meeting so that the answers may be made available at the Meeting.
- 10 Members are requested to bring their personal copy of the Annual Report to the Meeting.
- 11 Re-appointment of Directors at the Annual General Meeting :  
Mr. J. Y. Tekawade, Mr. P. S. Jawadekar, Mr. Rahul C. Kirloskar and Mr. Vikram S. Kirloskar are liable to retire by rotation and being eligible, offer themselves for re-appointment. Pursuant to Clause 49(IV)(G)(i) of the Listing Agreement relating to the Code of Corporate Governance, the particulars of the aforesaid Directors are given below :

**Profile of Directors retiring by rotation :**

- A. Mr. J. Y. Tekawade, Agriculturist, is having good and varied experience in Corporate Sector. He is a social worker from Shirampur. He was appointed as Member of Legislative Council, Maharashtra State for 12 years from 1985. Mr J. Y. Tekawade is also Founder member of The Shirampur Peoples Co-Op. Bank Ltd. He had won the Gold Medal from the government of India for producing highest sugarcane per acre.

The Directorship/Committee membership in other companies of Mr J. Y. Tekawade is as follows:

Name of the Company	Board position held	Committee Membership
Yashparva Agro Processing Private Ltd.	Director	-

Mr. J. Y. Tekawade holds 104 equity shares in the Company.

No director other than Mr. J. Y. Tekawade is concerned or interested in above item.

- B. Mr. P. S. Jawadekar is B.E. (Electrical) from Gujarat University and Fellow of Institute of Engineers (India). He retired as Executive Director of Kirloskar Electric Company Limited in the year 1998. He was President of Indian Electrical and Electronics Manufactures Association (IEEMA) in 1996-97. He has conducted Semester programmes on Total Quality Management, Strategic Management, and Industrial Marketing at various institutes in Bangalore. He has made presentations in the various seminars and journals on various management subjects. He has associated with CII Institute of Quality and as a Senior Assessor assessed number of companies for CII-EXIM Business Excellence Award.

The Directorship/Committee membership in other companies of Mr. P. S. Jawadekar is as follows :

Name of the Company	Board position held	Committee Membership *
Kirloskar Brothers Ltd.	Director	Audit & Finance Committee – Member
Kirloskar Constructions & Engineers Ltd.	Director	Audit & Finance Committee – Chairman
CMC Commutators Pvt. Ltd.	Director	-

\*Only two committees i.e. the Audit Committee and Investors' Grievance Committee are considered for this purpose.

Mr. P. S. Jawadekar do not hold any shares in the Company.

No director other than Mr. P. S. Jawadekar is concerned or interested in above item.

- C Mr. Rahul C. Kirloskar, Executive Chairman is a top notch technocrat associated with Kirloskar Group of Companies for more than twenty three years at senior levels in different capacities. Participated in an intensive course of top management professionals of major international companies on Total Quality Management (TQM) in Japan, conducted by Japanese Union of Scientists and Engineers (JUSE), has given a lot of thrust for reducing overheads and is taking all possible steps to reduce the overhead cost and thereby further improve the profitability of the Company and make the products more competitive.

The Directorship in other companies is as follows :

Name of the Company	Board position held	Committee Membership*
GreenTek Systems (India) Ltd.	Director	-
Kirloskar Brothers Ltd.	Director	-
Kirloskar Oil Engines Ltd.	Director	Audit Committee-Member
Kirloskar Proprietary Ltd.	Director	-
Alpak Investments Pvt. Ltd.	Chairman	-
Asara Sales & Investments Pvt. Ltd.	Director	-
Pratibha Communications Pvt. Ltd.	Chairman	-

\*Only two committees i.e. the Audit Committee and Investors' Grievance Committee are considered for this purpose.

Mr. Rahul C. Kirloskar, Mr. Sanjay C. Kirloskar and Mr. Atul C. Kirloskar, Directors of the company, being the brothers, are related to each other.

Mr. Rahul C. Kirloskar holds 1,15,579 equity shares in the Company.



- D. Mr. Vikram S. Kirloskar, graduate from Massachusetts Institute of Technology, USA with a Bachelor of Science in Mechanical Engineering and has been trained in various Companies in India and abroad in different capacities. He is responsible for setting up successful joint venture companies like Kirloskar Toyoda Textile Machinery Pvt. Ltd., Toyota Kirloskar Motor Pvt. Ltd. and Toyota Kirloskar Auto Parts Pvt. Ltd.

The Directorship/Committee membership in other companies is as follows:

<b>Name of the Company</b>	<b>Board position held</b>	<b>Committee Membership*</b>
Kirloskar Brothers Ltd.	Director	-
Kirloskar Proprietary Ltd.	Director	-
Kirloskar Systems Ltd.	Chairman & Managing Director	Audit Committee
Quadrant Communications Ltd.	Director	-
Asara Sales & Investments Pvt. Ltd.	Director	-
Denso Kirloskar Industries Pvt. Ltd.	Director	Audit Committee
Kirloskar Technologies Pvt. Ltd.	Director	-
Kirloskar Toyota Textile Machinery Pvt. Ltd.	Director	Audit Committee
Toyota Kirloskar Auto Parts Pvt. Ltd.	Vice Chairman	Audit Committee
Toyota Kirloskar Motor Pvt. Ltd.	Vice Chairman	Audit Committee
Takshashila Healthcare and Research Service Pvt. Ltd.	Director	-
Toyota Material Handling India Pvt. Ltd.	Director	-
VikramGeet Investments & Holdings Pvt. Ltd.	Director	-
Takshashila Hospitals Operating Pvt. Ltd.	Director	-
VSK Holding Pvt. Ltd.	Director	-

\*Only two committees i.e. the Audit Committee and Investors' Grievance Committee are considered for this purpose.

Mr. Vikram S. Kirloskar does not hold any shares in the company.

No director other than Mr. Vikram S. Kirloskar is concerned or interested in above item. Mr. Vikram S. Kirloskar is not related to any other director on the Board of the Company as per Section 6 of the Companies Act, 1956.

By Order of the Board of Directors

Registered Office :  
Hadapsar Industrial Estate,  
Pune 411 013  
Date : April 24, 2013

**Jitendra R Shah**  
Company Secretary

## DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting their Report along with the Audited Accounts for the year ended March 31, 2013.

### FINANCIAL RESULTS

The Financial results for the year ended March 31, 2013 are summarised below:

	(Figures in Rs.)	
	<u>2012-13</u>	<u>2011-12</u>
Gross Profit	<b>822,662,567</b>	1,005,288,670
Less:		
Depreciation	<b>114,903,957</b>	120,572,158
Provision for Taxation	<b>236,782,304</b>	265,571,187
Profit after tax	<b>470,976,306</b>	619,145,325
Surplus from previous year	<b>217,131,761</b>	177,122,565
Add / (Less)		
Transferred to General Reserve	<b>300,000,000</b>	400,000,000
Proposed Dividend	<b>154,132,056</b>	154,132,056
Tax on Proposed Dividend	<b>26,194,743</b>	25,004,073
Retained Earnings	<b>207,781,268</b>	217,131,761

### OPERATIONS

Uncertainty in the Indian economy contributed to a drop in your Company's revenues in the year 2012-13. The market sentiment was affected due to rise in the foreign exchange rate, inflation and high interest rates. The rise in crude oil prices also contributed to this uncertainty in India.

The net revenue of your Company for the year ended review was 5,488 million against Rs.6,666 million of last year.

The revenue of the Compression Segment was Rs. 4,484 million as against Rs.5,781 million in 2011-12.

The Compression Segment was affected mainly due to very low investments in the Oil and Gas Sector.

Capital expenditure for expansion/up-gradation of refineries was also very low and this affected our business of Refrigeration and Gas Compression Systems.

The CNG segment did not grow as anticipated due to various infrastructural and gas availability issues.

Revenue of the Transmission segment was Rs. 1,005 million as against Rs. 885 million of the last year.

In spite of the manufacturing sector not growing in the last year, your Company has generally maintained its profitability in the year.

This was the result of the many cost reduction measures undertaken by your company. This included value engineering products, re-engineering of our processes, improving efficiencies and reducing throughput time.

Your Company launched a WoW (War on Waste) initiative last year and employees consciously contributed to eliminating/ reducing all kinds of waste.

### ENERGY CONSERVATION

In spite of substantial rise in power tariff and Oil prices, we have been able to contain our costs due to various energy conservation projects that we undertook last year.

Our efforts in energy conservation were recognised by the Institute of Engineers Pune, Local Centre, who awarded us with DSK Energy Award for Outstanding Contribution in Energy Sector.



**DIVIDEND**

The Board of Directors have recommended a dividend of Rs. 12/- (120%) per equity share for the year ended March 31, 2013. In the last year a similar dividend of Rs. 12/- (120%) per equity share was paid.

**FIXED DEPOSIT**

As of March 31, 2013 there are no Fixed Deposits outstanding nor unclaimed.

**PROSPECTS**

The manufacturing sector witnessed a decline in the last couple of years. There are indications that the business sentiment is improving and your Company is meticulously keeping track of the developments. While this will definitely help in order booking, it will help in your company's revenues from 2014-15 onwards.

Revenues of the Transmission products have grown by 20% over the last year with a marked improvement in profitability. We expect this Division to maintain its focus on profitability this year too.

Your company has taken up exports of Hydrocarbon Refrigeration and Compression Systems as a key growth area and in this context, I am glad to inform you that your company has now been approved by many Oil & Gas Companies in the Middle-East and South-East Asia as a supplier of these systems. These will help in growing revenues in the coming years.

Our efforts to get ourselves approved in many more Oil & Gas Companies in these regions will continue in this year too and you should be able to see your Company expanding this products in the coming years.

During the year end review, your company has manufactured one RoadRailer Rake which has been inspected and cleared by RDSO and is now awaiting Emergency Brake Distance Test (EBD).

**DIRECTORS**

Mr. J. Y. Tekawade, Mr. P. S. Jawadekar, Mr. Rahul C. Kirloskar and Mr. Vikram S. Kirloskar retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

**CORPORATE GOVERNANCE**

Your Company conforms to the norms of Corporate Governance as envisaged in the Listing Agreement with the Bombay Stock Exchange Ltd. A separate report on Corporate Governance, along with Statutory Auditors' Certificate on the Compliance, Management Discussions and Analysis, is attached and forms part of the Annual Report.

**STATUTORY DISCLOSURES****1. Conservation of Energy, Technology Absorption and Foreign Exchange**

The information required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, pertaining to Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo, is given in the Annexure I to this Report and forms part of this Report.

**2. Particulars of Employees**

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is given in the Annexure to the Directors' Report. However as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to the Members of your Company excluding the aforesaid information. Any Member interested in obtaining the said annexure may write to the Secretarial Department at the Registered Office of the Company.

**3. Consolidated Financial Statements**

Pursuant to Clause 32 and 50 of the Listing Agreement with Stock Exchanges, your Company has prepared Consolidated Financial Statements as per the Accounting Standards applicable to the Consolidated Financial Statements issued by The Institute of Chartered Accountants of India. Audited Consolidated Financial Statements along with the Auditors' report is presented elsewhere in this annual report.

#### 4. **Subsidiary Company**

Kirloskar RoadRailer Limited is Subsidiary of the Company.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of Kirloskar RoadRailer Limited are not being attached with the Balance Sheet of the Company. However the financial information of Kirloskar RoadRailer Limited is disclosed in the Annual Report in compliance with the said circular. The Company will make available the Annual Accounts of Kirloskar RoadRailer Limited and the related detailed information to any member of the Company who may be interested in obtaining the same.

#### 5. **Directors' Responsibility Statement**

The Directors confirm that :

- i. In preparation of Annual Accounts, the applicable accounting standards have been followed.
- ii. The Directors have selected such accounting policies and applied them consistently in order to show true and fair view of the state of affairs.
- iii. The Directors have taken proper care in maintaining accounting records as per the provisions of the Companies Act, 1956, for safeguarding your Company's Fixed Assets for preventing and detecting fraud and other irregularities.
- iv. The Annual Accounts are prepared on the principle of going concern.

#### 6. **Cash Flow**

A Cash Flow statement for the year ended March 31, 2013 is attached to the Balance Sheet.

#### **AUDITORS**

The Auditors of the Company, M/s. P. G. Bhagwat, Firm Registration No. 101118W, Chartered Accountants, Pune, retire at the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. The requisite certificate pursuant to Section 224(1-B) of the Companies Act, 1956 has been received.

#### **EMPLOYEES**

Your Company follows unique methods towards human resource retention and development. The human skills development part is taken care through competency mapping and identifying training needs. Training programs are designed in such a way that it addresses knowledge and skill enhancement. Empowerment and rewarding good performances ensures motivation and healthy working environment.

Employee relations achieved an important milestone with smooth wage settlement agreement with Workers Union on December 25, 2012 for a period of 36 months with effect from January 1, 2013. Industrial relations continued to be cordial during the year.

Your Company has 1017 permanent employees on its roll as on March 31, 2013.

#### **ACKNOWLEDGMENT**

The Directors wish to convey their appreciation to all your Company's employees for their enormous personal efforts as well as their collective contribution to your Company's performance. The Directors would also like to thank the shareholders, customers, dealers, suppliers, bankers and all the other stakeholders for their continued support and their confidence in its management.

For and on behalf of the Board of Directors



**RAHUL C. KIRLOSKAR**  
Executive Chairman

Place : Pune

Date : April 24, 2013

**ANNEXURE I TO THE DIRECTORS' REPORT****Information as required under Section 217(1)(e) of the Companies Act, 1956.****A. Conservation of Energy****ENERGY CONSERVATION**

## a) Energy Conservation measures taken:

- Energy saving by reducing operating voltage of power transformer by changing the position of Off load tap changer.
- Switch 'OFF' Power Transformer at no load condition and save no load losses.
- Maintain Unity Power Factor and avail the 7% incentive benefit from MSEDCL on Electricity Consumption.
- Maximum demand control through remote control operation.
- Rigorous Maintenance of Air Compressed Grid and Reduced Air Leakage.
- Saving in oil consumption through oil extraction from chips using a Centrifuge.
- Cycle time reduction using new cutters in hobbing operation.
- Transformer of 1 MW gear testing to put off during no load and holiday to avoid no load power consumption.
- Maximum demand control through remote control operation.
- Use of 55kW compressor instead of using two compressors (30 + 55kW) at foundry.
- Up gradation of non-ferrous foundry by switching of fuel from LDO to Electricity in foundry division.
- Productivity improvement using trepanning tool for the boring operation in air compressor division.
- Use of energy efficient split/cassette AC in place of old inefficient Package AC in office area.
- Use of Electronics panel for the compressor test bed instead of using Motor Generator set for the DC power Supply.
- Use of 14 watts x 4 nos. T-5 lamps by replacing with 20 watts x 4 nos. Lamp at various office areas.
- Reduce cycle time by using vibration boring bar for boring operation in Air compressor division.
- Rearrange the mounting of two gears instead of one gear in hobbing operation in transmission division.
- Energy saving through new testing arrangement of Axle drive in transmission division.
- Energy Saving by improving lubrication system of Kirloskar turbo transmission during testing in transmission division.
- Energy Saving through replacement of CRT monitor with TFT monitor by information technology department.
- Change in operation time of Foundry to reduce the electricity charges.
- Use of CFL with PIR sensor in toilet area to reduce the energy consumption.

## b) Additional Investments and Proposals, if any, being implemented for reduction of consumption of energy.

**Proposals**

- Use of Taper hard jaw for motor mount bracket in air compressor division for productivity improvement.
- Use of OD Turning tool for PIPE to reduce cycle time in air compressor division.
- Use of energy efficient motor instead of common motor in transmission division.
- Furnace relining and thyristor heating in heat treatment shop of transmission division.
- Use of energy efficient star labeled split Air Conditioners.

**Investment**

Estimated additional investment for above proposals is about **Rs. 1.90 Million.**

c) **Impact of the measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods:**

Estimated saving from activities mentioned in (a) and (b) above is about Rs. 18.98 Millions per year.

d) **Total Energy consumption and energy consumptions per unit of production as per prescribed Form-A:**

Not given, as the Company is not covered under the list of specified industries.

**B. Technology Absorption:**

**Research and Development (R and D) :**

**1. Specific areas in which R and D is carried out by the Company:**

- Design of new versions for water well sector (K 300, K 1018, K 1415).
- Launched new versions K300, K1018, K1415 in the water well market.
- Introduction of new model of portable compressor KDP185.
- New model KDP 155 developed and given to gulf for field evaluations.
- Introduction of couple less recip compressor.
- Completed phase I and also configured the PET application machine on the concept of couple less construction.
- Design of Unified Nitrogen and Air Charger.
- Development of refrigeration Compressor KCX21 / KCX42 and KCX72 (Two Stage Air Cooled Series).
- Customised design of Engineered Compressor Drive Set (KC, KCX).
- Development of Indigenous couple free CNG Compressor.
- Completed all field evaluations of UNAC and waiting for the commercial order.
- Design a compact version of SAT 650 Unit with 50% volume reduction and 20% wt reduction.
- Design and developed high capacity Nitrogen generator for air force application.
- Development of Refrigeration Compressor KCX9 (Air Cooled Series).
- Development of Engineered Compressor Drive Set (KC / KCX).
- Indigenous CNG Compressor prototype developed and tested.
- KRCW SERIES - Vapor Absorption Chiller (Steam Driven).
- Design and development of High Speed Gears.
- Design and development of 55kW Windmill Gearbox.
- Introduction of New Gear Cutting Process for higher productivity.

**2. Benefits derived as a result of above R and D:**

- Indigenous in house capacity to design rotary compressors.
- Create prominent presence of KPCL in water well market.
- Penetration in the market for industrial segment and general engineering with the help of oil injected screw compressors.
- Introduction of new model of Diesel Portable Compressor in international market.
- Increasing of two stage KC / KCX Compressor/Customised Engineered Compressor Drive Set share in export market.
- New market entry in vapor absorption chiller.
- Business growth in Marine Refrigeration and Air - Conditioning (HVAC solutions) market.
- Business growth in Cement and Power Industry.
- New market for products in Pump and Compressor Drives.
- Business growth in Industrial Gearboxes in Steel, Cement and Power industry.

**3. Future plan of Action:**

- Extend design of centrifugal compressor to cove complete market requirements.
- Create own technology for oil free screw compressors.
- Integrated packages of electrical oil injected screw compressors.
- Design and development of new Refrigeration Compressors KCX51 / KCX63 / KCX93 (Two Stage Air cooled series).



- Design and development of new combinations in CNG compressors.
- Design and development of KRCD SERIES - Vapour Absorption Chiller (Direct fired).
- Manufacture of CNG compressors.
- Design of refrigeration system with centrifugal compressor (compliant to API 617).
- Development of MW Class Wind Turbine Gearboxes for various customers.
- Prototype development of High Speed Gearbox.
- Design and development of Customised Industrial Gearboxes.
- Development of Standard Industrial Gearbox Catalogue Series.
- Prototype development of Light Weight Marine gearbox.

4. Expenditure on R & D	(Rs. in Million)
a) Capital	NIL
b) Recurring	54.18
c) Total	54.18
d) Total R & D Expenditure as a Percentage of total turnover	0.99%

**5. Technology Absorption, Adaptation and Innovation:****1. Efforts in brief, made towards Technology Absorption, Adaptation and Innovation:**

- Absorption of design principles and software application skills for rotary compressors to create own design and research capabilities.
- Absorption of Planetary Technology.
- Building expertise for the application and product in the area of special products.
- Absorption of new Innovative Technology in Gear Manufacturing.
- Building expertise for the application in wide Industrial Segment i.e. from Cement / Steel / Sugar and Power etc.
- Addition of Gear Design **ROMAX** Designer Software.
- Addition of 7 workstations in R & E Department.
- Addition of 7 Seats of Auto Cad -2013.

**2. Benefits derived as a result of the above efforts :**

- Increase in market share through addition of new range of products.
- Products with latest technology available to customer.
- Minimize breakdown of equipments, resulting into customer satisfaction.
- Bridging product gaps in the domestic and International market.
- Using latest technology for higher productivity and thereby increase in profitability.
- Increasing use of available expertise for manufacturing products to get share in untapped market.

**3. Information regarding Imported Technology during last 5 years:**

Technology Imported and fully absorbed	Year of Import
Development of Centrifugal Compressor	2010
Dry Screw Compressors	2008

**C. Foreign Exchange Earnings and Outgo :**

Foreign exchange outgo	Rs. 598 Million
Foreign exchange earned	Rs. 165 Million

For and on behalf of the Board of Directors

**RAHUL C. KIRLOSKAR**  
Executive ChairmanPlace : Pune  
Date : April 24, 2013

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company as a part of Kirloskar Group, is committed to maintain high standards of Corporate Governance. To us, Corporate Governance means conduct of business with transparency, accountability and business prosperity with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of all other stakeholders as well.

### 2. BOARD OF DIRECTORS

#### i. Composition and Category of Directors :

The Board of Directors of the Company represents an optimum mix of professionalism, knowledge and experience, comprises of Executive, Non-Executive and Independent Directors. The Chairman is a Executive Director. In all, there are 11 Directors including 6 Non Executive and Independent Directors, 3 Non-Executive Directors and 2 Executive Directors. As on March 31, 2013, the composition of the Board of Directors of the Company meets the stipulated requirements of clause 49 of the Listing Agreement of the Stock Exchange.

#### ii. Number of Meetings :

During the year ended on March 31, 2013 five Board Meetings were held on April 24, 2012, July 17, 2012, October 17, 2012, January 22, 2013 and March 13, 2013. The Annual General Meeting of the Company was held on July 17, 2012.

#### iii. Director's attendance record and directorships held :

The details of attendance of the Directors at the various Board Meetings, Annual General Meeting and also the number of other Directorships and Committee Memberships / Chairmanships are as follows :

Name of the Director and Position	No. of Board Meetings attended	Directorships in other companies as disclosed			
		Public	Private	Committee Membership*	Committee Chairmanship
<b>Non-Executive Directors</b>					
Mr. Atul C. Kirloskar	4	8	3	2	–
Mr. Sanjay C. Kirloskar	4	6	2	1	–
Mr. Vikram S. Kirloskar	1	4	11	1	–
<b>Independent and Non-Executive Directors</b>					
Mr. A. C. Mukherji	5	5	–	6	3
Mr. J. Y. Tekawade	5	–	1	–	–
Mr. P. S. Jawadekar	5	2	1	2	1
Mr. G. Krishna Rao	5	–	–	–	–
Mr. D. R. Swar	3	3	–	1	1
Mr. Sunil Shah Singh	5	1	–	–	–
<b>Executive Directors</b>					
Mr. Rahul C. Kirloskar Chairman	5	4	3	1	–
Mr. Aditya Kowshik Managing Director	5	–	1	–	–

\* Only two Committees i.e. the Audit Committee and Investors' Grievance Committee are considered for this purpose.

#### All Directors as on that date attended the Annual General Meeting held on July 17, 2012.

#### iv. Code of Conduct

The Board has prescribed the Code of Conduct for all its Board Members and Senior Management. The Code of Conduct has been posted on Company's Website.



The Managing Director has confirmed to the Board that the Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the Financial year 2012-13 ended on March 31, 2013.

### **3. AUDIT COMMITTEE**

#### **i. Composition**

The Audit Committee consists of Mr. A. C. Mukherji, Mr. G. Krishna Rao, and Mr. J. Y. Tekawade, all Independent Directors.

Mr. A. C. Mukherji, Independent Director is the Chairman of the Audit Committee.

Chairman, Managing Director, Vice President and Finance Controller attend the Audit Committee Meetings. The representatives of the Statutory Auditors, Internal Auditors and Operational Heads are invited to the Meetings. The Internal Auditors submit their report to the Audit Committee. Company Secretary acts as Secretary to the Audit Committee.

#### **ii. Terms of Reference**

The role and terms of reference of the Audit Committee covers the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors. These include oversight of Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible reviewing annual and quarterly financial statements with management before submission to the Board reviewing the adequacy of internal control systems and performance of external and internal auditors with management.

#### **iii. Meetings and attendance of the Audit Committee**

The Audit Committee met four times during the year i.e. on April 24, 2012, July 17, 2012, October 17, 2012 and January 22, 2013 which was attended by all the members.

### **4. Subsidiary Company**

The Company has one Non-Listed Subsidiary Company namely Kirloskar RoadRailer Limited.

The financial statements of the Subsidiary Company are placed before the Audit Committee for their review.

The minutes of the Board Meeting as well as statements of all significant transactions of the subsidiary company are placed regularly before the Board of Directors for their review.

### **5. REMUNERATION COMMITTEE**

#### **i. Composition**

The Remuneration Committee comprises of 3 Directors consisting of Mr. P. S. Jawadekar, who is the Chairman of the Committee, Mr. G. Krishna Rao and Mr. J. Y. Tekawade. Company Secretary acts as Secretary to the Committee.

#### **ii. Terms of Reference**

The functioning and terms of reference of the Remuneration Committee are as prescribed under Clause 49 of the Listing Agreement. It determines the Company's policy on all elements of remuneration packages of all the Directors including salary, benefits, bonus, stock options, pension rights and compensation payment etc.

#### **iii. Meetings and attendance of the Remuneration Committee**

During the year, one Remuneration Committee Meeting was held on April 24, 2012, and was attended by all the members.

#### **iv. Remuneration Policy**

The Board determines the remuneration payable to the Executive Directors taking into account their qualification, expertise and contribution and based on recommendations of the Remuneration Committee.

Non-Executive Directors are paid sitting fees for attending Board / Committee Meetings as decided by the Board within the limits prescribed under the Companies Act, 1956.



Commission payable to Non-Executive Directors is limited to a fixed amount per year as determined and approved by the Board based on their attendance and contribution at the Board and Committee Meetings based on recommendations of the Remuneration Committee. The total amount of commission to Non-Executive Directors is within the limit of 1% of the net profits of the Company for the year, calculated as per the provisions of the Companies Act, 1956, subject to necessary approvals, as applicable, if any.

**v. Details of remuneration paid / payable to Directors during the year 2012-13:**

**A. Non Executive Directors**

Name of Director	Sitting Fees (Rs.)	Commission on Net profit * (Rs.)	Salary & Perquisites (Rs.)	Total (Rs.)	No. of shares held
Mr. Atul C. Kirloskar	20,000	2,40,000		2,60,000	114,330
Mr. Sanjay C. Kirloskar	20,000	2,40,000		2,60,000	–
Mr. Vikram S. Kirloskar	5,000	60,000		65,000	–
Mr. A. C. Mukherji	45,000	8,00,000		8,45,000	–
Mr. J. Y. Tekawade	60,000	8,00,000		8,60,000	104
Mr. P. S. Jawadekar	30,000	3,00,000		3,30,000	–
Mr. G. Krishna Rao	60,000	8,00,000		8,60,000	–
Mr. D. R. Swar	45,000	1,80,000		2,25,000	–
Mr. Sunil Shah Singh	25,000	3,00,000		3,25,000	–

\* Payable only on adoption of accounts in the ensuing Annual General Meeting

**B. Remuneration paid / payable to Mr. Rahul C. Kirloskar, Executive Chairman and Mr. Aditya Kowshik, Managing Director**

Amount in Rupees

Particulars	Mr. Rahul C. Kirloskar From April 1, 2012 to March 31, 2013	Mr. Aditya Kowshik From April 1, 2012 to March 31, 2013
Salary	12,000,000	4,200,000
House Rent Allowance	–	420,000
Contribution to :		
Provident Fund	1,440,000	504,000
Superannuation Fund	1,800,000	630,000
Gratuity Fund	1,000,000	350,000
Other perquisites	2,606,356	652,239
Commission*	30,000,000	12,500,000
<b>TOTAL</b>	<b>48,846,356</b>	<b>19,256,239</b>
<b>No. of shares held</b>	<b>115,579</b>	<b>NIL</b>

\* Payable only on adoption of accounts in the ensuing Annual General Meeting

**6. INVESTORS' GRIEVANCE COMMITTEE**

The Committee functions under the Chairmanship of Mr. G. Krishna Rao, a Independent Non-Executive Director, Mr. Rahul C. Kirloskar, Executive Director and Mr. J. Y. Tekawade, Independent Non-Executive Director as its members. Company Secretary is the Compliance Officer.

During the year, two Investors' Grievance Committee meetings were held on April 24, 2012 and October 25, 2012 and both were attended by all the members.

The Company has received 3 complaints during the year and all of them were resolved. There were no complaints pending as on March 31, 2013.



**7. GENERAL BODY MEETINGS****i. The details of the last three Annual General Meetings are as follows :**

Date	Time	Location
July 17, 2012	02.30 pm	} Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune 411 002
June 28, 2011	11.00 am	
July 26, 2010	11.30 am	

**ii. Special Resolutions passed in last 3 AGM's :**

The shareholders of the Company have passed the following (1) one special resolution at the following Annual General Meeting.

**June 28, 2011**

Payment of Commission to the Director who is neither in the whole time employment of the Company nor a Managing Director, provided in Section 198, 309, 310, 349, 350 of the Companies Act, 1956.

**iii. Postal Ballot**

No Resolution was passed through postal ballot last year.

**8. DISCLOSURES**

- i. During the year 2012-13, the Company had no materially significant related party transaction that has potential conflict of interest with the interest of Company at large.
- ii. There was no non-compliance by the Company, penalties or strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to Capital Markets, during the last three years.
- iii. The Company does not have a formal Whistle Blower Policy. However, no personnel has been denied access to the Audit Committee.
- iv. The Company has complied with all mandatory requirements of clause 49 of the listing agreement. Company has not adopted any non-mandatory requirements of clause 49 except that it has formed the Remuneration Committee.
- v. Disclosure(s) relating to the full particulars of the Cost Auditor along with other details pursuant to the General Circular No. 15/2011 dated April 11, 2011 issued by the Ministry of Corporate Affairs.  
Pursuant to the approval of the Central Government under Section 233B of the Companies Act, 1956, the Company has appointed Mr. S. G. Jog, Cost Accountants as Cost Auditor of the Company. Due date of filing the Cost Audit Report for the financial year 2011-12 was December 31, 2012 and the same has been filed on December 27, 2012.

**9. MEANS OF COMMUNICATION**

The quarterly, half yearly, nine monthly and yearly financial results are published in the leading news papers viz. all editions of Business Standard (English) and Loksatta (Marathi). The Company updates its results on the website [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com) and its group companies website at [www.kirloskar.com](http://www.kirloskar.com).

Meeting and tele-conference were held with Investors and Analysts. They were also provided with a copy of Quarterly Results after the results were faxed to the Stock Exchange. A copy of the Report of tele-conference is also uploaded on the website of the Company.

**10. GENERAL SHAREHOLDER INFORMATION :****i. Annual General Meeting :**

<b>Date</b>	: July 23, 2013
<b>Day</b>	: Tuesday
<b>Time</b>	: 2.30 p.m.
<b>Venue</b>	: Pudumjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune 411002

**ii. Financial Year** : 1st April to 31st March

**iii. Book Closure** : Tuesday the 16th day of July, 2013 to  
Tuesday, the 23rd day of July, 2013  
(both days inclusive)

**iv. Dividend Payment Date :** on or after 23rd July 2013

**v. Listing on** : Bombay Stock Exchange Limited

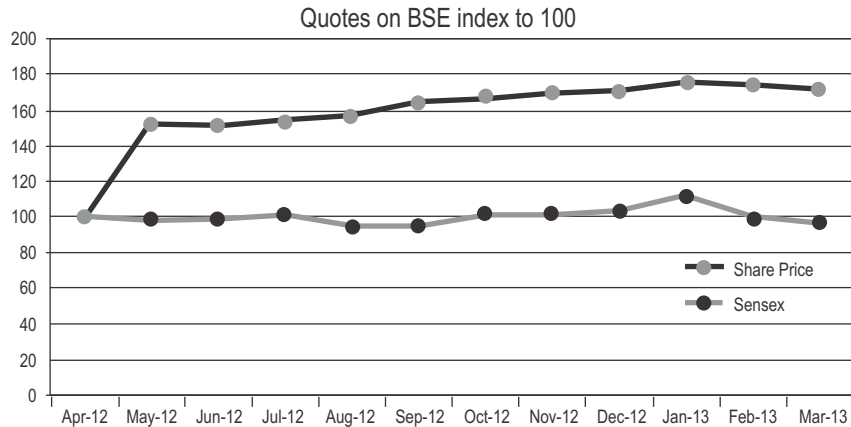
**vi. Stock Code** : 505283

**vii. Depositories** : National Securities Depository Ltd.  
Central Depository Services (I) Ltd.  
ISIN No. - INE811A01012

**viii. Market Price Data :**

Market Price Data as per Bombay Stock Exchange Ltd., i.e. High-Low and close for each month during this financial year.

<b>Year</b>	<b>High (Rs.)</b>	<b>Low (Rs.)</b>	<b>Close (Rs.)</b>
April 2012	493.00	410.00	414.95
May 2012	490.00	400.05	444.00
June 2012	489.00	435.00	487.10
July 2012	498.70	423.00	441.55
August 2012	469.00	431.00	450.60
September 2012	467.95	436.10	439.85
October 2012	499.90	433.20	472.00
November 2012	499.90	455.30	483.75
December 2012	512.00	461.50	480.30
January 2013	550.00	465.00	483.00
February 2013	489.90	433.00	461.10
March 2013	475.65	400.00	440.00


**ix. Stock Performance in comparison to BSE Sensex :**

**x. Registrar and Transfer Agent :**

M/s. Link Intime (India) Private Limited are the Registrar and Transfer Agents for shares in physical form as well as electronic mode.

**xi. Share Transfer System :**

Share Transfers are registered and returned within a period of 10 days from the date of receipt, provided the documents are correct and valid in all respects.

**xii. Distribution of Shareholding as on March 31, 2013**

HOLDING		No. of Members	Percentage	No. of Shares of Rs.10/- each	% to Capital
UPTO	500	18,339	97.42	7,51,999	5.86
	501	277	1.47	2,30,371	1.79
	1001	101	0.54	1,53,240	1.19
	2001	30	0.16	75,236	0.59
	3001	14	0.07	51,103	0.40
	4001	16	0.08	73,465	0.57
	5001	12	0.06	75,967	0.59
	10001	38	0.20	1,14,32,957	89.01
<b>TOTAL</b>		<b>18827</b>	<b>100.00</b>	<b>1,28,44,338</b>	<b>100.00</b>

**xiii. Shareholding Pattern as on March 31, 2013**

	Category	No. of Shares of Rs.10/- each	Percentage of shareholding
A.	Promoter's	81,21,480	63.23
B.	Mutual Funds and UTI	22,35,588	17.40
C.	Banks, Financial Institutions and Insurance Companies	72,010	0.56
D.	Other Corporate Bodies	8,90,069	6.93
E.	General Public	15,02,223	11.70
F.	NRIs	22,968	0.18
	<b>Grand Total</b>	<b>1,28,44,338</b>	<b>100.00</b>

**xiv. Dematerialisation of Shares and liquidity :**

The name of the Company appears in the compulsory Trading List and 96.36% of Share Capital is in Electronic Form as on March 31, 2013.

**xv. Company has not issued GDRs / ADRs / Warrants or any convertible instruments.**

**xvi. Plant Locations and Address for Correspondence :**

**Registered Office of the Company**

Kirloskar Pneumatic Co. Ltd.  
Hadapsar Industrial Estate,  
Pune 411 013  
Phone No. 020 - 26727000  
Fax No. 020 – 26870297 / 634  
Email : sec@kpcl.net  
Website : www.kirloskarkpcl.com

**Plant Locations :**

**PUNE**  
Hadapsar Industrial Estate,  
Pune 411 013

**Saswad**

Saswad,  
Tal.: Purandar  
Dist. Pune

**Nashik**

Thermal Power Station Road,  
Nashik Road,  
Nashik

**Registrar & Transfer Agent :**

**Link Intime (India) Private Limited**

**Pune Office :**

Akshay Complex, No. 202, 2<sup>nd</sup> Floor,  
Near Ganesh Temple,  
Off Dhole Patil Road,  
Pune 411 001  
Phone Nos.: 020-26160084 / 1629 / 3503  
Fax No. 020 – 26163503  
Email : pune@linkintime.co.in

**Mumbai Office :**

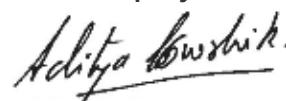
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup, West  
Mumbai 400 078  
Phone No. : 022-25963838  
Fax No. 022-25946970  
Email : mumbai@linkintime.co.in

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**DECLARATION FOR COMPLIANCE WITH THE CODE OF CONDUCT**

Pursuant to Clause 49 I (D)(ii) of the Listing Agreement I, hereby declare that all Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct made effective from April 1, 2005.

**Kirloskar Pneumatic Company Limited**



**Aditya Kowshik**  
Managing Director

Place : Pune

Date : April 24, 2013

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE****To the members of Kirloskar Pneumatic Company Limited**

We have examined the compliance of conditions of Corporate Governance by Kirloskar Pneumatic Company Limited, for the year ended 31st March, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company, with the Stock Exchange(s).

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that, such compliance is neither an assurance as to the future viability of the Company, nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For M/S P. G. BHAGWAT**

Chartered Accountants

Firm's Registration Number : 101118W

**Sanjay Athavale**

Partner

Membership Number 83374

Place : Pune

Date : April 24, 2013

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### Industry Overview

The Indian economy is passing through a challenging phase. Domestic as well as global factors have adversely impacted GDP growth and has fallen to the decades lowest level. Growth in Index of Industrial Production (IIP) was below 1% during FY'13 as compared to 6.8% during FY'11. Capital goods sector has shown faster deceleration.

Your Company serves various sectors viz. Oil and Gas, Infrastructure, Cement, Steel and Power, Food and Beverage and Railways. Regulatory challenges coupled with lack of new project clearances have adversely impacted demand levels.

### Segment Analysis

Your Company has two business segments – Compression Products and Transmission Products.

#### 1. Compression Products:

Your Company offers a wide range of products which include – Air, Gas and Refrigeration Compressors, Packages and Systems.

**a. Performance:** During the year revenue for the Compression Product Segment was Rs 4,484 Mn. (Previous Year Rs 5,781 Mn). These products primarily serve the Oil and Gas and Infrastructure industries. During the period FY'09 through FY'11 there were significant investments in these sectors for both expansions as well as modernization. However over the last couple of years lower investments as well as regulatory challenges have affected the sales of the company this year. In spite of inflationary pressures, your Company has managed to contain material cost through various cost reduction programmes. To transform the operations with Manufacturing Excellence as a goal, your Company has taken positive steps to implement these concepts and an empowered team has been constituted to champion this initiative across the organization. Looking at the changing technology trends, your Company is also focused on developing products for the future. Special efforts are being made to engage the best talent for in-house product development. Your Company continues to be the preferred choice of customers. The Customer Satisfaction Survey conducted by Nielsen Ltd. shows significant improvement in the Customer Satisfaction Index.

**b. Opportunities, Threats and Concerns:** Your Company aims at strengthening its market position by widening its range of product offerings. Although the current economic environment is subdued the opportunities, in the coming years are promising. Projects announced by the companies in the Oil and Gas sector are likely to materialize over next three years. The government is committed to support infrastructure development for the cold chain in India. This will certainly offer opportunities for growth in the domestic market. Your Company is also focused on developing export business in the Middle East and South East Asia region. Your Company has been approved by many international consulting and contracting companies and this will help us in garnering business in the coming years. Inflationary pressures and the weak Rupee will pose a challenge of cost management.

Compression is a highly specialized field and talent availability – especially in the design and technology development is very critical.

#### 2. Transmission Products:

Your Company offers wide range of product which include – Railway Traction Gears, Wind Turbine Gearbox, Industrial Gearbox and Specialized Products.

**a. Performance:** During the year revenue for the Transmission Product Segment was Rs 1,005 Mn. (Previous Year Rs 885 Mn). With the modernization plan being implemented by Indian Railways, your Company has improved its sales performance this year. This has off-set lower sales for the wind turbine gear box. Wind turbine gearbox demand was affected by changes in the government policies and challenges of basic infrastructure. Over the last two years your Company has invested in modernising its plant and this has helped in improving the productivity and quality. Your Company took up cost reduction programme which improved the margins. Your Company is implementing a programme to achieve its goal of Manufacturing Excellence in operations. A dedicated cross functional team is in place to champion this initiative.



- b. Opportunities, Threats and Concerns:** Your Company will endeavour to consolidate its market position in Railway and Wind Segment. Industrial Gearbox market offers excellent opportunities for growth. Over the years your Company has developed capability to design, manufacture and sell customized industrial gearboxes and is now in the process of cementing our presence in this market. Cost continues to be under pressure with competition from both domestic and international players. There is still uncertainty on the future demand pattern of the wind turbine market. Transmission Products segment also faces a stiff challenge in recruitment of trained engineering and manufacturing manpower.

### **Outlook**

The government during the recent budget, has announced some policy measures to mobilize funds in the infrastructure investment. The Cabinet Committee on Investment has been set up and decisions have been taken in respect of a number of gas, power and coal projects. The Government is expected to announce a policy to encourage exploration and exploitation of shale gas. However in short term, the outlook is challenging. Focus on excellent customer service and cost management will continue to be of prime importance for your Company to tide over these difficult times.

### **Internal Control Systems and Their Adequacy**

Your Company has adequate internal control systems to ensure maintenance of proper accounting records, their accuracy and Accounting Standards, safeguarding of Company's assets and assessing its risk for insurance coverage.

Your Company has appointed Internal Auditors for review of Internal Control Systems. The detailed reports of the Internal Auditors are presented to the Audit Committee. Compliances to observations by the Internal Auditors are monitored by the management.

### **Safety, Health And Environment**

Your Company is one of the few companies in Pune to be an IMS (Integrated Management System - ISO 9001, ISO 14001 and OHSAS 18001) certified company. Your Company is committed to complying with all the statutory and regulatory requirements. Your Company has taken efforts in building awareness among employees, suppliers and service providers. It is worthwhile to mention here that your Company has commissioned a modern and very efficient system for effluent treatment of waste. A lot of attention has been given to improving greenery all around the manufacturing plants. A Sand Recovery Plant has also been commissioned to reduce waste in the foundry which helps in environmental sustenance.

The Company has a well equipped Occupational Health Centre that delivers qualitative preventive health services not only to the employees but also to their families and to the society at large. First-Aid preparedness in the factory is ensured at all times. Medical surveillance that includes pre-employment, periodic medical examinations and occupational rehabilitation is ensured so that employee health and well being are maintained. Hospitalized employees are given meaningful help and reassurance. Annual Wellness Planner ensures that all employees are covered under preventive health checks and health promotion programmes.

### **Corporate Social Responsibility (CSR)**

Inspired by our founder Late Shri S. L. Kirloskar all our CSR initiatives are focused in the areas of Education, Environment and Health. CSR initiatives in your Company are planned, budgeted, implemented and reviewed regularly. CSR provides a volunteering platform to the employees and about 10 % of employees volunteer to actively contribute for a social cause every year. During this year, your Company has reached out to over 20,000 community members with the help of 120 employee volunteers who put in over 4,000 man hours of volunteering. Significant CSR initiatives include support to meritorious, socially and differently abled students. Awareness programmes on water conservation and road safety, blood donation camps, community health camps, vision care for school children, teachers training, health awareness and health checks, HIV / AIDS Workplace and Community Intervention, WASH (Water, Sanitation, Hygiene) initiative for schools are also part of the CSR initiatives.

### **Human Resources and Industrial Relations**

A committed and competent team is the back bone of your Company. Significant efforts are made to enhance efficiency and effectiveness of employees. Your Company signed the wage settlement agreement with Kamgar Sangh for the period 2013-15. With the active participation of the Union members the agreement was signed before the old agreement expired on 31st December 2012. Productivity improvement is one of the salient features of the agreement.

Your Company has a well structured Leadership Development Programme which seeks to identify, leverage and appropriately deploy talent within the Company. Attracting and retaining talent and succession management continue to be a major focus of HR.

Upgrading skills and competencies across all levels has become essential with the changes in the business and technological environment. With pre-set target for training man-days, training programs are designed to address knowledge and skill development. The Rewards and Recognition Scheme has motivated performers at all levels. Your Company will continue to build on the people and processes with a definite plan on strengthening the organization.

Your Company has a total strength of 1017 employees as on March 31, 2013. The relations with the employees at all levels continue to be cordial.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIRLOSKAR PNEUMATIC COMPANY LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of Kirloskar Pneumatic Company Limited, which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 Act". This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
  - e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

**For M/S P. G. BHAGWAT**

Chartered Accountants

Firm's Registration Number : 101118W

**Sanjay Athavale**

Partner

Membership Number 83374

Place : Pune

Date : April 24, 2013

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our above report of even date)

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) As explained to us, considering the nature of the Fixed Assets, the same have been physically verified by the management at reasonable intervals during the year as per the verification plan adopted by the company, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. According to the information and explanations given to us and the records produced to us for our verification, the discrepancies noticed during such physical verification were not material and the same have been properly dealt with in the books of account.  
(c) During the year, the company has not disposed off major part of the Fixed Assets.
2. (a) The inventory has been physically verified during the year by the management, which, is in our opinion, at reasonable intervals.  
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
(c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stock and the book records.
3. (a) The Company has not granted any loans to companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.  
(b) The Company has not taken any loans from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of five Lacs rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public with the provisions of Sections 58A and 58AA of the Companies Act, 1956, and the rules framed there under.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. The Company is maintaining cost records as prescribed under Section 209 (1) (d) of the Companies Act, 1956. However, we have not verified the same for completeness or accuracy.\
9. (a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues with the appropriate authorities. There were no amounts payable in respect of the statutory dues outstanding, as at the Balance Sheet date for a period of more than six months from the date they became payable.

According to the information and explanations given to us, no undisputed amounts payable in respect of Sale Tax, Income Tax, Customs Tax/Wealth Tax, Excise Duty/Cess and Service Tax were outstanding, as at the balance sheet date for a period of more than six months from the date they became payable.



- (b) According to the records of the Company, there are no dues of Sales Tax, Income Tax, Customs Duty/Wealth Tax, Excise Duty/Cess and Service Tax which have not been deposited on account of any dispute, except :

Name of the Statute	Nature of dues	Amount (Rs)	Period to which amount relates	Forum
Excise Duty	Demand of penalty on reversal of Cenvat Credit not made	18,44,000	FY 1997-98 to 2001-02 upto Feb-2002	CESTAT, Delhi
Service Tax	Penalty	3,09,556	FY 2003-04 to 2005-06	CESTAT, Mumbai
	Penalty	2,47,316	FY 2007-08 to 2009-10	Comm. Appeals, Pune III
Sales Tax	Non- production of C Forms	83,000	AY 1992-93	Mumbai High Court, Mumbai Sales Tax Tribunal.
	Appeal against incorrect Assessment Order	5,99,000	AY 2004-05 & 2005-06	Commissioner Appeal
	Demand under Works contract Tax	1,88,000	AY 1985-86	Tribunal
	Demand under Work Contract Tax	2,87,000	AY 1985-86 & 1986-87 & 1987-88	High Court
Income Tax	Disallowance of certain expenditure	7,12,247	AY 1960-70 to AY 1978-79	High Court

10. The company has no accumulated losses as on the Balance Sheet date. The company has not incurred cash losses during the financial year covered by our audit nor during the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit funds are not applicable to the Company.
14. The company is not dealing or trading in shares, securities, debentures and other investments.
15. As informed to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
16. During the year, Term Loans have not been raised by the company.
17. The funds raised on short term basis have not been used for long term investment.
18. The company has not made preferential allotment of shares during the year.
19. No money has been raised by debenture issues during the year.
20. No money has been raised by public issues during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

**For M/S P. G. BHAGWAT**  
Chartered Accountants  
Firm's Registration Number : 101118W

**Sanjay Athavale**  
Partner  
Membership Number 83374

Place : Pune  
Date : April 24, 2013

## BALANCE SHEET AS AT 31ST MARCH, 2013

	Note No.	Rs.	As at 31st March 13 Rs.	As at 31st March 12 Rs.
<b>I. EQUITY AND LIABILITIES</b>				
<b>(1) SHAREHOLDERS' FUNDS :</b>				
(a) Share Capital	1	128,443,380		128,443,380
(b) Reserves & Surplus	2	<u>2,459,627,156</u>		<u>2,168,977,649</u>
			<b>2,588,070,536</b>	<b>2,297,421,029</b>
<b>(2) SHARE APPLICATION MONEY PENDING ALLOTMENT :</b>				
			-	-
<b>(3) NON CURRENT LIABILITIES :</b>				
(a) Long Term Borrowings	3	-		62,548,750
(b) Deferred Tax Liability (Net)	4	1,056,669		4,274,365
(c) Other Long Term Liabilities	5	11,007,182		13,174,461
(d) Long Term Provisions	6	<u>38,381,143</u>		<u>26,500,705</u>
			<b>50,444,994</b>	<b>106,498,281</b>
<b>(4) CURRENT LIABILITIES :</b>				
(a) Short Term Borrowings		-		-
(b) Trade Payables	7	852,248,179		1,077,945,194
(c) Other Current Liabilities	8	890,983,351		862,108,860
(d) Short Term Provisions	9	<u>429,128,359</u>		<u>488,123,129</u>
			<b>2,172,359,889</b>	<b>2,428,177,183</b>
	<b>Total</b>		<b><u>4,810,875,419</u></b>	<b><u>4,832,096,493</u></b>
<b>II. ASSETS :</b>				
<b>(1) NON CURRENT ASSETS :</b>				
(a) Fixed Assets				
(i) Tangible Assets	10	895,375,558		780,576,593
(ii) Intangible Assets	11	125,001,930		125,275,639
(iii) Capital work in progress		21,134,984		20,424,092
(b) Non Current Investments	12	79,581,904		30,713,098
(c) Long Term Loans and Advances	13	61,332,917		45,170,926
(d) Other Non Current Assets	14	<u>14,073,180</u>		<u>28,465,895</u>
			<b>1,196,500,473</b>	<b>1,030,626,243</b>
<b>(2) CURRENT ASSETS :</b>				
(a) Current Investments	15	1,050,000,000		1,000,000,000
(b) Inventories	16	723,845,996		821,739,537
(c) Trade Receivables	17	1,320,671,371		1,350,411,642
(d) Cash and Bank Balances	18	158,848,659		251,346,348
(e) Short Term Loans and Advances	19	87,689,728		84,054,519
(f) Other Current Assets	20	<u>273,319,192</u>		<u>293,918,204</u>
			<b>3,614,374,946</b>	<b>3,801,470,250</b>
	<b>Total</b>		<b><u>4,810,875,419</u></b>	<b><u>4,832,096,493</u></b>
Notes forming part of the Financial Statements	1 - 49			

As per our attached report of even date

For and on behalf of the Board of Directors

**For M/s P. G. Bhagwat**  
Firm Registration No. 101118W  
Chartered Accountants

**Aditya Kowshik**  
Managing Director

**Rahul C. Kirloskar**  
Executive Chairman

**S. S. Athavale**  
Partner  
Membership No. 83374  
Pune, April 24, 2013

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Finance Controller  
Pune, April 24, 2013

**STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2013**

	Note No.	Rs.	Current Year Rs.	Previous Year Rs.
I Revenue from Operations	21		<b>5,947,597,296</b>	7,116,135,665
Less: Excise Duty			<b>459,506,225</b>	449,994,327
Net Revenue from Operations			<b>5,488,091,071</b>	6,666,141,338
II Other Income	22		<b>135,937,914</b>	135,608,640
III <b>Total Revenue (I + II)</b>			<b>5,624,028,985</b>	6,801,749,978
IV EXPENSES :				
Cost of Materials Consumed	23	<b>2,967,852,355</b>		3,716,009,822
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	24	<b>(121,271,491)</b>		202,677,085
Employee Benefits Expenses	25	<b>802,783,981</b>		705,085,055
Finance Costs	26	<b>13,139,446</b>		11,947,323
Depreciation and Amortization Expense	27	<b>114,903,957</b>		120,572,158
Other Expenses	28	<b>1,138,862,127</b>		1,160,742,023
<b>Total Expenses</b>			<b>4,916,270,375</b>	5,917,033,466
V Profit before Exceptional and Extraordinary Items and Tax (III - IV)			<b>707,758,610</b>	884,716,512
VI Exceptional Items			-	-
VII Profit before Extraordinary Items and Tax (V - VI)			<b>707,758,610</b>	884,716,512
VIII Extraordinary Items			-	-
IX Profit before Tax (VII - VIII)			<b>707,758,610</b>	884,716,512
X Taxation :				
Current Tax		<b>240,000,000</b>		277,000,000
Deferred Tax		<b>(3,217,696)</b>		(11,428,813)
			<b>236,782,304</b>	265,571,187
Profit (Loss) for the Period			<b>470,976,306</b>	619,145,325
Earning per Share :				
(1) Basic			<b>36.67</b>	48.20
(2) Diluted			<b>36.67</b>	48.20

Notes forming part of the Financial Statements 1- 49

As per our attached report of even date

For and on behalf of the Board of Directors

For **M/s P. G. Bhagwat**  
Firm Registration No. 101118W  
Chartered Accountants

**Aditya Kowshik**  
Managing Director

**Rahul C. Kirloskar**  
Executive Chairman

**S. S. Athavale**  
Partner  
Membership No. 83374  
Pune, April 24, 2013

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Finance Controller  
Pune, April 24, 2013

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

PARTICULARS	Rs.	2012-2013 Rs.	2011-2012 Rs.
<b>(I) OPERATING ACTIVITIES</b>			
(A) PROFIT BEFORE TAXATION		<b>707,758,610</b>	884,716,512
(B) ADJUSTMENTS :			
<b>Add :</b>			
(i) Depreciation and Amortisation	<b>114,903,957</b>		120,572,158
(ii) Bad Debts	<b>6,084,438</b>		5,257,985
(iii) Loss on Assets sold	<b>158,495</b>		2,632,341
(iv) Interest on Secured / Unsecured Loans	<b>13,139,446</b>		11,947,323
		<b>134,286,336</b>	140,409,807
		<b>842,044,946</b>	1,025,126,319
<b>Less :</b>			
(i) Investment Income included above :			
(a) Dividend	<b>78,972,051</b>		58,544,018
(b) Interest Received	<b>2,028,781</b>		12,406,856
	<b>81,000,832</b>		70,950,874
(ii) Surplus on Sale of Assets	<b>1,769,024</b>		2,120,844
(iii) Profit on Sale of Investment	<b>9,412,000</b>		-
(iv) Provision no longer required	<b>302,416</b>		2,535,001
(v) Sundry Credit Balances appropriated	<b>5,498,187</b>		4,101,812
(vi) Income Tax paid	<b>262,511,635</b>		303,556,613
		<b>360,494,094</b>	383,265,144
<b>CASH FROM OPERATIONS</b>		<b>481,550,852</b>	641,861,175
(C) (INCREASE) / DECREASE IN CURRENT ASSETS			
(i) Inventories	<b>97,893,541</b>		2,481,740
(ii) Sundry Debtors	<b>38,048,548</b>		81,711,541
(iii) Other Current Assets, Loans & Advances	<b>(26,986,353)</b>		178,973,408
		<b>108,955,736</b>	263,166,689
(D) INCREASE / (DECREASE) IN CURRENT LIABILITIES			
(i) Liabilities		<b>(182,028,376)</b>	(151,273,445)
		<b>(73,072,640)</b>	111,893,244
<b>NET CASH FROM OPERATIONS</b>		<b>408,478,212</b>	753,754,419

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013 (Contd.)**

<b>PARTICULARS</b>	<b>Rs.</b>	<b>2012-2013 Rs.</b>	<b>2011-2012 Rs.</b>
<b>(II) INVESTMENT ACTIVITIES</b>			
(i) Investments, net.	<b>(89,456,806)</b>		(422,106,239)
(ii) Capital Expenditure - Tangible Assets	<b>(235,186,389)</b>		(156,685,775)
(iii) Capital Expenditure - Intangible Assets	<b>(6,686,089)</b>		(21,350,163)
(iv) Sale proceeds of Assets	<b>2,439,681</b>		5,021,061
		<b>(328,889,603)</b>	(595,121,116)
(v) Investment Income :			
(a) Dividend	<b>78,972,051</b>		58,544,018
(b) Interest Received	<b>2,028,781</b>		12,406,856
		<b>81,000,832</b>	70,950,874
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(247,888,771)</b>	(524,170,242)
<b>(III) FINANCING ACTIVITIES</b>			
(i) Increase / (Decrease) in Secured Loans	<b>(62,548,750)</b>		(63,470,000)
(ii) Interest on Secured / Unsecured Loans	<b>(13,857,973)</b>		(12,188,554)
(iii) Increase / (Decrease) in Unsecured Loans	—		—
(iv) Dividend & Dividend Tax paid	<b>(176,680,407)</b>		(176,803,342)
<b>NET CASH FROM FINANCING ACTIVITY</b>		<b>(253,087,130)</b>	(252,461,896)
<b>NET CHANGE IN CASH + CASH EQUIVALENTS (I + II + III)</b>		<b>(92,497,689)</b>	(22,877,719)
<b>Cash &amp; Cash Equivalents as at 1-4-2012 (Opening Balance)</b>		<b>251,346,348</b>	274,224,067
<b>Cash &amp; Cash Equivalents as at 31-3-2013 (Closing Balance)</b>		<b>158,848,659</b>	251,346,348

As per our attached report of even date

For and on behalf of Board of Directors

**For M/s P. G. Bhagwat**  
Firm Registration No. 101118W  
Chartered Accountants

**Aditya Kowshik**  
Managing Director

**Rahul C. Kirloskar**  
Executive Chairman

**S. S. Athavale**  
Partner  
Membership No. 83374  
Pune, April 24, 2013

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Finance Controller  
Pune, April 24, 2013



## NOTES

Note Nos. 1-49 annexed to and forming part of the Financial Statements for the year ended 31st March, 2013

	Rs.	As at 31st March, 2013 Rs.	As at 31st March, 2012 Rs.
<b>NOTE 1 : SHARE CAPITAL :</b>			
<b>EQUITY SHARES:</b>			
<b>AUTHORISED :</b>			
15,000,000 Equity Shares of Rs.10/- each		150,000,000	150,000,000
		<u>150,000,000</u>	<u>150,000,000</u>
<b>ISSUED AND SUBSCRIBED :</b>			
12,844,338 Equity Shares of Rs.10/- each		128,443,380	128,443,380
		<u>128,443,380</u>	<u>128,443,380</u>
<b>PAID UP :</b>			
12,844,338 Equity Shares of Rs.10/- each fully paid		128,443,380	128,443,380
<b>Total</b>		<u>128,443,380</u>	<u>128,443,380</u>

### Rights attached to Equity Shares :

The Company has only one class of share capital, i.e. equity shares having face value of Rs.10/- per share. Each holder of equity share is entitled to one vote per share.

### Share Holding Details :

	Nos.	Nos.
Shareholder holding more than 5%		
a) Kirloskar Brothers Investments Ltd. (Holding Company w.e.f. 20th May 2011)	6,994,176 54.45%	6,784,884 52.82%
b) Reliance Capital Trustee Co. Ltd.	1,122,320 8.74%	911,674 7.10%

### NOTE 2 : RESERVES AND SURPLUS :

#### Capital Reserve :

As per last Account 27,965 27,965

#### Securities Premium (Share Premium) Account:

As per last Account 51,817,923 51,817,923

#### \*Revaluation Reserve:

As per last Account — 10,154,527

Less: Adjusted during the year — 10,154,527

#### General Reserve :

As per last Account 1,900,000,000 1,500,000,000

Add: Set aside this year 300,000,000 400,000,000

**2,200,000,000** 1,900,000,000

#### Surplus :

As per last Account 217,131,761 177,122,565

Add : Transferred from Statement of Profit & Loss Account 470,976,306 619,145,325

688,108,067 796,267,890

Less :

Transfer to General Reserve 300,000,000 400,000,000

Proposed Dividend 154,132,056 154,132,056

Tax on Proposed Dividend 26,194,743 25,004,073

480,326,799 579,136,129

**207,781,268** 217,131,761

**Total** 2,459,627,156 2,168,977,649

\* On Revaluation of certain Plant & Machinery in 1984.





	As at 31st March, 2013	As at 31st March, 2012
Rs.	Rs.	Rs.
<b>NOTE 3 : LONG TERM BORROWINGS :</b>		
<b>SECURED LOANS :</b>		
Term Loan from Bank	-	62,548,750
(For security & terms of repayment, see notes below)		
<b>Total</b>	<u>-</u>	<u>62,548,750</u>

- (a) External Commercial Borrowing of US\$ 5,500,000 from Bank of India, UK, is secured by hypothecation of Plant and Machinery amounting to Rs.402,854,000/- purchased out of the said loan.
- (b) Terms of repayment - Eight equal half yearly installments w.e.f June 2010

**NOTE 4 : DEFERRED TAX LIABILITIES :**

Deferred Tax Liabilities	33,189,152	32,479,714
Deferred Tax Assets	32,132,483	28,205,349
(Refer Note no.47A)		
<b>Total</b>	<u>1,056,669</u>	<u>4,274,365</u>

**NOTE 5 : OTHER LONG TERM LIABILITIES :**

Deposits Received	7,242,571	7,761,899
Other Liabilities	3,764,611	5,412,562
<b>Total</b>	<u>11,007,182</u>	<u>13,174,461</u>

**NOTE 6 : LONG TERM PROVISIONS :**

Provision for Employee Benefits	38,381,143	26,500,705
<b>Total</b>	<u>38,381,143</u>	<u>26,500,705</u>

**NOTE 7 : TRADE PAYABLES :**

(i) Due to Micro, Small and Medium Enterprises	-	-
(ii) Other Trade Payables	852,248,179	1,077,945,194
<b>Total</b>	<u>852,248,179</u>	<u>1,077,945,194</u>

	As at 31st March, 2013 Rs.	As at 31st March, 2012 Rs.
<b>NOTE 8 : OTHER CURRENT LIABILITIES :</b>		
Current maturities of Long Term Debt	62,548,750	62,548,750
Interest accrued but not due on borrowings	687,333	1,405,860
Unpaid Dividends	11,288,442	8,832,720
Advances Received	231,885,633	229,536,024
Other Payables	584,573,193	559,785,506
<b>Total</b>	<b>890,983,351</b>	<b>862,108,860</b>

**NOTE 9 : SHORT TERM PROVISIONS :**

Provision for Employee Benefits	33,004,581	31,987,000
Provision for Income Tax	215,796,979	277,000,000
Proposed Dividend	154,132,056	154,132,056
Tax on Dividend	26,194,743	25,004,073
<b>Total</b>	<b>429,128,359</b>	<b>488,123,129</b>

**NOTE 10 : TANGIBLE ASSETS :**

PARTICULARS	TANGIBLE ASSETS								TOTAL	
	FREE HOLD LAND RS.	BUILDINGS RS.	PLANT & MACHINERY RS.	ELECTRI. INSTAL. RS.	OFFICE EQUIPMENTS RS.	FURNITURE & FIXTURE RS.	VEHICLE RS.	LEASE ASSET P&M RS.	AS AT 31/03/2013 RS.	AS AT 31/03/2012 RS.
<b>GROSS BLOCK AT COST :</b> As at 01/04/2012	2,164,553	232,354,854	1,121,962,124	34,568,762	29,491,819	38,909,163	59,112,165	49,037,904	1,567,601,344	1,511,651,401
Increase due to Revaluation on 30/06/84	-	-	-	-	-	-	-	-	-	10,154,527
Additions	-	158,559,739	35,984,389	1,813,815	3,381,995	3,758,674	20,073,664	-	223,572,276	170,177,255
Deduction in revaluation during the year	-	-	-	-	-	-	-	-	-	10,154,527
Deductions and adjustments	-	-	10,324,408	-	-	213,028	3,759,432	-	14,296,868	114,227,312
Apportioned Cost As at 31/03/2013	2,164,553	390,914,593	1,147,622,105	36,382,577	32,873,814	42,454,809	75,426,397	49,037,904	1,776,876,752	1,567,601,344
<b>DEPRECIATION :</b> Up to 31/03/2012	-	63,721,947	597,954,044	14,361,551	7,483,316	24,166,873	30,299,116	49,037,904	787,024,751	795,228,427
For the year	-	7,484,899	85,844,482	1,102,841	1,387,513	1,572,996	10,551,428	-	107,944,159	103,254,828
Deductions and Adjustments	-	-	10,310,360	-	-	54,533	3,102,823	-	13,467,716	111,458,504
Total Depreciation up to 31/03/2013	-	71,206,846	673,488,166	15,464,392	8,870,829	25,685,336	37,747,721	49,037,904	881,501,194	787,024,751
<b>NET BLOCK As at 31/03/2013</b>	<b>2,164,553</b>	<b>319,707,747</b>	<b>474,133,939</b>	<b>20,918,185</b>	<b>24,002,985</b>	<b>16,769,473</b>	<b>37,678,676</b>	<b>-</b>	<b>895,375,558</b>	<b>780,576,593</b>
As at 31/03/2012	2,164,553	168,632,907	524,008,080	20,207,211	22,008,503	14,742,290	28,813,049	-	780,576,593	

- a) Includes premises on Ownership basis in Co-operative Societies Rs.844,900/- (Previous year Rs.844,900/-)
- b) Deductions & Adjustments to Gross Block include Loss on fluctuation of foreign exchange rates in respect of foreign currency borrowing consequent to amendment to AS 11 aggregating to Rs.Nil, (Previous year Rs. 2,763,750/-).


**NOTE 11 : INTANGIBLE ASSETS :**

INTANGIBLE ASSETS			TOTAL	
PARTICULARS	SOFTWARES	TECHNICAL KNOWHOW	AS AT 31/03/2013	AS AT 31/03/2012
	RS.	RS.	RS.	RS.
<b>GROSS BLOCK AT COST :</b>				
As at 01/04/2012	25,094,888	134,164,746	<b>159,259,634</b>	137,909,471
Additions	6,686,089	–	<b>6,686,089</b>	21,350,163
Apportioned Cost As at 31/03/2013	31,780,977	134,164,746	<b>165,945,723</b>	159,259,634
<b>DEPRECIATION :</b>				
Up to 31/03/2012	21,483,995	12,500,000	<b>33,983,995</b>	16,666,665
For the year	6,959,798	–	<b>6,959,798</b>	17,317,330
Total Depreciation up to 31/03/2013	28,443,793	12,500,000	<b>40,943,793</b>	33,983,995
<b>NET BLOCK</b>				
<b>As at 31/03/2013</b>	<b>3,337,184</b>	<b>121,664,746</b>	<b>125,001,930</b>	125,275,639
As at 31/03/2012	3,610,893	121,664,746	125,275,639	

	<b>As at</b>	<b>As at</b>
	<b>31st March, 2013</b>	<b>31st March, 2012</b>
<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>

**NOTE 12 : NON CURRENT INVESTMENTS :  
INVESTMENTS AT COST :**

Government and Trust Securities

Quoted :

Unit Trust of India :

201.988 units of Rs.10/- each in

UTI Balanced fund (Growth)

**8,063**

8,063

5,288.053 (5,055.201) units of Rs.10/- each in

UTI Balanced fund (Dividend Plan-Re-investment)

**88,502**

83,447

**96,565**

91,510

3300 Master Shares of Rs.10/- each

**8,244**

8,244

**104,809**

99,754

Fully paid Equity Shares :

Trade, Unquoted :

1 Share of Rs.100/- each in

Kirloskar Proprietary Ltd.

**100**

100

In Subsidiary Company:

100,000 Equity Shares of Rs.10/- each in

Kirloskar RoadRailer Limited

**1,000,000**

1,000,000

**1,000,100**

1,000,100

Carried Over Rs.

**1,104,909**

1,099,854

**NOTE 12 : NON CURRENT INVESTMENTS : (Contd.)**

	Rs.	As at 31st March, 2013 Rs.	As at 31st March, 2012 Rs.
Brought Over Rs.		<b>1,104,909</b>	1,099,854
Other, Quoted :			
100,000 Shares of Rs.10/- each in The Mysore Kirloskar Ltd.	<b>2,400,000</b>		2,400,000
Less: Provision for diminution in value	<u><b>(2,399,999)</b></u>		<u>(2,399,999)</u>
	<b>1</b>		<b>1</b>
46,990 Shares of Rs.2/- each in Housing Development Finance Corporation Ltd.	<b>117,475</b>		117,475
375,000 Shares of Rs.10/- each in Kirloskar Investment and Finance Ltd.	<b>5,000,000</b>		5,000,000
Less: Provision for diminution in value	<u><b>(4,999,999)</b></u>		<u>(3,863,750)</u>
	<b>1</b>		<b>1,136,250</b>
10,059 shares of Rs.10/- each in ICICI Bank Ltd.	<b>206,101</b>		206,101
2,000,000 Shares of Rs.5/- each in Kirloskar Ferrous Industries Ltd.	<b>20,000,000</b>		20,000,000
2,500 Shares of Rs.2/- each in HDFC Bank Ltd.	<b>5,000</b>		5,000
1,400 Equity shares of Rs. 10/- each in Punjab National Bank	<u><b>43,400</b></u>		<u>43,400</u>
		<b>20,371,978</b>	<u>21,508,227</u>
Unquoted :			
1,272 Shares of Ken. Sh. 1,000/- each in Kirloskar Kenya Ltd.	<b>833,984</b>		833,984
56,250 Shares of Singapore \$ 1 each in Kirsons Trading Pte. Ltd. - a Foreign Body Corporate.	<b>1,120,932</b>		1,120,932
1 Share of Rs.100/- fully paid in The Nasik Merchants' Co-operative Bank Ltd.	<b>100</b>		100
62,500 Shares of Rs.20/- each fully paid in The Cosmos Co-operative Bank Ltd.	<b>1,250,000</b>		1,250,000
Associate Company			
490,000 Equity Shares of Rs.10/- each fully paid in Kirloskar Chillers Pvt.Ltd.	<u><b>4,900,000</b></u>		<u>4,900,000</u>
		<b>8,105,016</b>	<u>8,105,016</u>
Carried Over Rs.		<b>29,581,903</b>	30,713,097



As at 31st March, 2013 Rs.	As at 31st March, 2012 Rs.
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**NOTE 15 : CURRENT INVESTMENTS AT COST :**

Quoted :

- (7,000,000.00) units of Rs. 10/- each of DSP Black Rock FMP Series 36 3M Dividend	-	70,000,000
- (3,000,000.00) units of Rs. 10/- each of DSP Black Rock FMP Series 39 12M Dividend	-	30,000,000
- (5,000,000.00) units of Rs. 10/- each of IDFC Fixed Maturity Yearly Series 61 Dividend	-	50,000,000
- (7,000,000.00) units of Rs. 10/- each of IDFC FMP Yearly Series 52 Dividend	-	70,000,000
- (2,000,000.00) units of Rs. 10/- each of Kotak FMP -Series 45 Dividend	-	20,000,000
- (3,000,000.00) units of Rs. 10/- each of Kotak FMP -Series 75 Dividend	-	30,000,000
- (2,000,000.00) units of Rs. 10/- each of Reliance Fixed Horizon Fund XX Series 15 Div. Plan	-	20,000,000
- (5,000,000.00) units of Rs. 10/- each of Reliance Fixed Horizon Fund XX Series 13 Div. Plan	-	50,000,000
- (5,000,000.00) units of Rs. 10/- each of Reliance Fixed Horizon Fund XXI Series 6 Div. Plan	-	50,000,000
- (2,000,000.00) units of Rs. 10/- each of Religare FMP Series X Plan-E	-	20,000,000
- (3,000,000.00) units of Rs. 10/- each of Sundaram Interval Fund Quarterly Plan Fixed Term Plan-E Div.	-	30,000,000
- (5,000,000.00) units of Rs. 10/- each of Sundaram Fixed Term Plan Div.	-	50,000,000
- (4,500,000.00) units of Rs. 10/- each of Tata Fixed Maturity Plan Series 39 Scheme A Div.	-	45,000,000
- (5,000,000.00) units of Rs. 10/- each of Birla SunLife FMP Series-EG Div.	-	50,000,000
- (2,000,000.00) units of Rs. 10/- each of SBI Debt Fund Series 13 Div.	-	20,000,000
- (5,000,000.00) units of Rs. 10/- each of SBI Debt Fund Series Div.	-	50,000,000
- (5,000,000.00) units of Rs. 10/- each of SBI Debt Fund Series 58-90 Days Div.	-	50,000,000
- (7,000,000.00) units of Rs. 10/- each of UTI Fixed Term Income Fund Series IX-V Div.	-	70,000,000
- (3,000,000.00) units of Rs. 10/- each of UTI Fixed Term Income Fund Series IX-VI Div.	-	30,000,000
Carried Over Rs.	-	805,000,000


**NOTE 15 : CURRENT INVESTMENTS AT COST : (Contd.)**

	<b>As at 31st March, 2013 Rs.</b>	<b>As at 31st March, 2012 Rs.</b>
Brought Over Rs.	-	805,000,000
- (7,000,000.00) units of Rs. 10/- each of ICICI Prudential FMP Series 57 Plan A Div.	-	70,000,000
- (5,000,000.00) units of Rs. 10/- each of HDFC FMP 92 D March 12- Series XIX	-	50,000,000
- (5,000,000.00) units of Rs. 10/- each of HDFC FMP March 12- Series XIX	-	50,000,000
- (2,500,000.00) units of Rs. 10/- each of L & T FMP VI March Div.	-	25,000,000
7,000,000.00 (-) units of Rs. 10/- each of DSP Black Rock FMP Series 87-12M - Qtr Dividend	<b>70,000,000</b>	-
3,000,000.00 (-) units of Rs. 10/- each of DSP Black Rock FMP Series 94 12M Dividend	<b>30,000,000</b>	-
4,810,004.810 (-) units of Rs. 10.395/- each of IDFC Dynamic Bond Fund-Regular Plan- Qtr. Dividend	<b>50,000,000</b>	-
2,000,000.00 (-) units of Rs. 10/- each of Kotak FMP Series 87 Dividend	<b>20,000,000</b>	-
3,000,000.00 (-) units of Rs. 10/- each of Kotak FMP -Series 96 Dividend	<b>30,000,000</b>	-
5,592,528.382 (-) units of Rs. 10.729/- each of Kotak Bond Scheme Plan A Qtr. Dividend	<b>60,000,000</b>	-
2,696,544.378 (-) units of Rs. 14.8338/- each of Reliance Dynamic Bond Fund Direct Plan Dividend	<b>40,000,000</b>	-
5,000,000.00 (-) units of Rs. 10/- each of Reliance Yearly Interval Fund Series 2 Dividend Plan	<b>50,000,000</b>	-
1,999,420.168 (-) units of Rs. 10.003/- each of Religare Credit Opportunities Fund Inst Daily Dividend	<b>20,000,000</b>	-
5,000,000.00 (-) units of Rs. 10/- each of Sundaram FTP DE Dividend	<b>50,000,000</b>	-
40,376.126.00 (-) units of Rs. 1,114.520/- each of Tata Liquid Fund Plan A Daily Dividend	<b>45,000,000</b>	-
4,345,143.433 (-) units of Rs. 11.507/- each of Birla Dynamic Bond Fund Retail Qtr. Dividend	<b>50,000,000</b>	-
10,000,000.00 (-) units of Rs. 10/- each of SBI Debt Fund Series 5- Dividend	<b>100,000,000</b>	-
2,000,000.00 (-) units of Rs. 10/- each of SBI Debt Fund Series 13	<b>20,000,000</b>	-
Carried Over Rs.	<b>635,000,000</b>	1,000,000,000

**NOTE 15 : CURRENT INVESTMENTS AT COST : : (Contd.)**

	As at 31st March, 2013 Rs.	As at 31st March, 2012 Rs.
Brought Over Rs.	635,000,000	1,000,000,000
7,000,000.00 (-) units of Rs. 10/- each of UTI-Fixed Term Income Fund Series XII	70,000,000	-
3,000,000.00 (-) units of Rs. 10/- each of UTI Fixed Term Income Fund Series XIV-VII Div.	30,000,000	-
9,997.859 (-) units of Rs. 1,000.2141/- each of UTI-Treasury Advantage Fund Inst. Plan Daily Dividend	10,000,000	-
7,000,000.00 (-) units of Rs. 10/- each of ICICI Prudential FMP Series 64- Plan J	70,000,000	-
5,000,000.00 (-) units of Rs. 10/- each of ICICI Prudential Interval Fund Series VI Plan A	50,000,000	-
5,000,000.00 (-) units of Rs. 10/- each of HDFC FMP Aug 2012 (1) Dividend Series 22	50,000,000	-
2,500,000.00 (-) units of Rs. 10/- each of L & T FMP VI Dividend	25,000,000	-
5,000,000.00 (-) units of Rs. 10/- each of DWS Fixed Maturity Plan Series 24 Dividend	50,000,000	-
5,021,971.124 (-) units of Rs. 11.948/- each of DWS Premier Bond Fund Regular Plan Qtr Dividend	60,000,000	-
<b>Total</b>	<b><u>1,050,000,000</u></b>	<b><u>1,000,000,000</u></b>

	Book Value as at 31st March, 2013 Rs.	31st March, 2012 Rs.	Market Value as at 31st March, 2013 Rs.	31st March, 2012 Rs.
Quoted	1,050,000,000	1,000,000,000	1,077,442,947	1,019,381,450
Total	<b><u>1,050,000,000</u></b>	<b><u>1,000,000,000</u></b>	<b><u>1,077,442,947</u></b>	<b><u>1,019,381,450</u></b>

As at 31st March, 2013 Rs.	As at 31st March, 2012 Rs.
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**NOTE 16 : INVENTORIES :**

Raw Materials : (Includes Rs.215,000/- (Rs.880,000/-) in Bonded Warehouse)	346,766,154	568,905,093
Work-in-progress :	298,584,328	193,775,372
Finished Goods, at cost or net realisable value whichever is lower	47,811,035	31,348,500
Stores & Spares :	30,684,479	27,710,572
<b>Total</b>	<b><u>723,845,996</u></b>	<b><u>821,739,537</u></b>

As Certified by the Managing Director





	Rs.	As at 31st March, 2013 Rs.	As at 31st March, 2012 Rs.
<b>NOTE 17 : TRADE RECEIVABLES : UNSECURED</b>			
Trade Receivables - Unsecured			
(a) Outstanding over six months	139,168,107		214,557,652
(b) Others	<u>1,181,503,264</u>		<u>1,135,853,990</u>
		<b>1,320,671,371</b>	<b>1,350,411,642</b>
(Due from Associate Company Rs.Nil (PY 11,305/-))			
<b>Total</b>		<b><u>1,320,671,371</u></b>	<b><u>1,350,411,642</u></b>

**NOTE 18 : CASH AND BANK BALANCES :**

Cash & Cash Equivalent :			
Cash on hand	574,040		1,174,727
Balances with Banks :			
In Current Accounts	<u>146,986,177</u>		<u>241,338,901</u>
		<b>147,560,217</b>	<b>242,513,628</b>
Earmarked Balances with Banks		<b>11,288,442</b>	<b>8,832,720</b>
<b>Total</b>		<b><u>158,848,659</u></b>	<b><u>251,346,348</u></b>

**NOTE 19 : SHORT TERM LOANS AND ADVANCES :**

UNSECURED, GOOD :	87,689,728	84,024,826
(Unless otherwise stated)		
Dues from Companies promoted by the Company From Subsidiary ( Maximum Balance during the year Rs. 29,693/- (PY Rs.70,693/-))	-	29,693
(For Names of the Companies, refer Note No. 32A)		
<b>Total</b>	<b><u>87,689,728</u></b>	<b><u>84,054,519</u></b>

**NOTE 20 : OTHER CURRENT ASSETS :**

Sundry Deposits	4,011,332	2,382,740
Balances with Central Excise	25,193,793	8,730,012
Taxes paid in Advance	<u>244,114,067</u>	<u>282,805,452</u>
<b>Total</b>	<b><u>273,319,192</u></b>	<b><u>293,918,204</u></b>

	Rs.	Current Year Rs.	Previous Year Rs.
<b>NOTE 21 : REVENUE FROM OPERATIONS :</b>			
Sale of Products		<b>5,214,813,465</b>	6,081,138,677
Works Contract Sale		<b>21,384,678</b>	380,523,696
Sale of Services		<b>251,892,928</b>	204,478,965
<b>Total</b>		<b><u>5,488,091,071</u></b>	<b><u>6,666,141,338</u></b>

**NOTE 22 : OTHER INCOME :**

Dividend (Includes foreign dividend Rs.540,416 /- Previous Year Rs. 315,471/-, Withholding tax Rs.54,166/- Previous Year Rs. 31,560/- )		<b>78,972,051</b>	58,544,018
Interest Received (Gross) (Tax deducted Rs.34,802/-, Previous Year Rs.367,242/-)		<b>2,028,781</b>	12,406,856
Insurance Claim Received		<b>1,666,450</b>	203,195
Miscellaneous Receipts		<b>35,991,372</b>	43,044,841
Profit on Sale of Investments		<b>9,412,000</b>	-
Surplus on Sale of Assets		<b>1,769,024</b>	2,120,844
Sundry Credit Balances appropriated		<b>5,498,187</b>	4,101,812
Bad Debts / Liquidated Damages Recovered		<b>297,633</b>	4,520,197
Refund of Income Tax		-	8,131,876
Provisions no longer required Written Back		<b>302,416</b>	2,535,001
<b>Total</b>		<b><u>135,937,914</u></b>	<b><u>135,608,640</u></b>

**NOTE 23 : COST OF MATERIALS CONSUMED :**

Raw Materials (including components) consumed :			
Stocks at commencement	<b>568,905,093</b>		375,766,944
Add : Purchases	<b>2,745,713,416</b>		3,909,147,971
	<b><u>3,314,618,509</u></b>		<u>4,284,914,915</u>
Less : Stocks at close	<b>346,766,154</b>		568,905,093
<b>Total</b>		<b><u>2,967,852,355</u></b>	<b><u>3,716,009,822</u></b>



	Rs.	Current Year Rs.	Previous Year Rs.
<b>NOTE 24 : CHANGES IN INVENTORIES :</b>			
(Increase) / Decrease in Stocks :			
Stocks at close :			
Work-in-Progress	298,584,328		193,775,372
Finished Goods	<u>47,811,035</u>		<u>31,348,500</u>
	346,395,363		225,123,872
Less : Stocks at commencement :			
Work-in-Progress	193,775,372		407,301,243
Finished Goods	<u>31,348,500</u>		<u>20,499,714</u>
	225,123,872		427,800,957
		<u>(121,271,491)</u>	<u>202,677,085</u>
<b>Total</b>		<u><u>(121,271,491)</u></u>	<u><u>202,677,085</u></u>

**NOTE 25 : EMPLOYEE BENEFITS EXPENSES :**

Salaries, Wages, Bonus, etc.	627,995,034	550,757,542
Incentive	27,419,839	26,784,980
Contribution to Provident and Other Funds, etc.	62,964,300	48,322,647
Welfare Expenses	84,404,808	79,219,886
<b>Total</b>	<u><u>802,783,981</u></u>	<u><u>705,085,055</u></u>

**NOTE 26 : FINANCE COSTS :****Interest :**

On Loans	4,059,601	6,856,696
Other Borrowing Costs	9,079,845	5,090,627
<b>Total</b>	<u><u>13,139,446</u></u>	<u><u>11,947,323</u></u>

**NOTE 27 : DEPRECIATION AND AMORTISATION EXPENSE :**

Depreciation of tangible assets	107,944,159	103,254,828
Amortisation of intangible assets	6,959,798	17,317,330
<b>Total</b>	<u><u>114,903,957</u></u>	<u><u>120,572,158</u></u>

	Current Year Rs.	Previous Year Rs.
<b>NOTE 28 : OTHER EXPENSES :</b>		
Stores and Spares Consumed	111,650,549	118,962,422
Manufacturing Expenses	200,650,070	204,554,118
Power, Fuel and Water	81,641,850	74,807,475
Building Repairs	36,256,003	49,778,026
Machinery Repairs	28,822,569	20,286,946
Sundry Repairs	17,002,671	23,399,884
Rent	7,154,960	4,850,225
Rates and Taxes	5,277,770	6,088,060
Insurance	5,365,037	6,310,725
Commission and Discount	106,987,788	109,987,499
Royalty	14,782,613	19,014,130
Travelling Expenses	85,297,244	77,654,444
Excise Duty, net	17,377,527	4,632,274
Sales Tax	2,323,936	2,684,213
Postage, Telephones, Telex Expenses	19,629,720	17,451,956
Bank Charges	19,864,328	23,133,555
Freight Outward	32,225,379	48,438,721
Vehicle Expenses	18,565,226	17,338,660
Printing and Stationery	8,330,657	9,132,556
Legal and Professional Charges	44,440,334	58,088,059
Advertisement and Publicity Expenses	8,749,813	10,063,677
Donations	18,201,000	18,400,000
Auditors' Remuneration	1,771,439	1,712,000
Directors' Fees and Travelling Expenses	4,333,553	6,177,374
Director's Remuneration :		
Salary	59,120,000	24,410,323
Loss on Assets sold, discarded, demolished or scrapped	158,495	2,632,341
Bad Debts and Sundry Debit Balances written off	6,084,438	5,257,985
Liquidated Damages	89,520,929	128,255,129
Miscellaneous Expenses	87,276,229	67,239,246
<b>Total</b>	<b><u>1,138,862,127</u></b>	<b><u>1,160,742,023</u></b>


**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013**
**29 Effects of changes in foreign exchange rates :**

The company, in terms of Notification issued by Ministry of Corporate Affairs on 31st March, 2009, had exercised the option of implementing the provisions of newly inserted Paragraph 46 of Accounting Standard 11, 'Accounting for the Effects of Changes in Foreign Exchange Rates', prescribed by Companies (Accounting Standards) Amendment Rules, 2009. The Company had outstanding long term foreign currency loan which was categorized as Long Term Foreign Currency Monetary Item as referred in the said notification. Outstanding foreign currency loan is stated at the rate at which it is fully swapped and therefore no effects of change in foreign exchange rates are required to be considered.

**30 Disclosure pursuant to Accounting Standard - 15 (Revised) " Employee Benefits" :**
**a. Defined Contribution Plans:**

Amount of Rs.46,980,069/- (Previous Year Rs. 41,727,896/-) is recognised as expense and included in "Employee Benefits Expenses" in Note 25 in the Profit and Loss Account.

**b. Defined Benefit Plans:**
**i. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation :**

	2012-13 Rs.	2011-12 Rs.
	<b>Gratuity</b>	
a. Present value of Defined Benefit Obligation at the beginning of the year	<b>146,108,679</b>	145,481,596
b. Interest cost	<b>12,466,898</b>	10,897,309
c. Current service cost	<b>11,360,534</b>	9,688,664
d. Acquisition adjustment	<b>8,946,150</b>	-
e. Actuarial Losses / (Gains)	<b>8,941,378</b>	(1,428,412)
f. Benefits paid	<b>16,770,895</b>	18,530,478
g. Present value of Defined Benefit Obligation at the close of the year	<b>171,052,744</b>	146,108,679

**ii Changes in the fair value of Plan Assets and the reconciliation thereof:**

	<b>Gratuity</b>	
a. Fair value of Plan Assets at the beginning of the year	<b>145,657,015</b>	144,124,683
b. Add :Expected return on Plan Assets	<b>13,915,595</b>	12,474,850
c. Add / (Less) :Actuarial Losses / (Gains)	<b>877,174</b>	(87,960)
d. Acquisition adjustment	<b>12,692,308</b>	-
e. Add : Contributions	<b>9,307,692</b>	7,500,000
f. Less: Benefits Paid	<b>16,770,895</b>	18,530,478
g. Fair value of Plan Assets at the close of the year (includes Rs. 123.10 Lacs with trust, previous year Rs. 31.26 Lacs)	<b>163,924,541</b>	145,657,015

**iii. Amount Recognised in the Balance Sheet including a reconciliation of the present value of the defined obligation in (i) and the fair value of the plan assets in (ii) to the assets and liabilities recognised in the Balance Sheet:**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)**

	2012-13 Rs.	2011-12 Rs.
	<b>Gratuity</b>	
a. Present value of Defined Benefit obligation	<b>171,052,744</b>	146,108,679
b. Less: Fair value of Plan Assets - with LIC	<b>151,614,641</b>	142,536,515
c. Less: Fair value of Plan Assets - with Trust	<b>12,309,900</b>	3,120,500
d. Total Fair Value of Plan Assets	<b>163,924,541</b>	145,657,015
e. Net Liability / (Asset) recognised in the Balance Sheet	<b>7,128,203</b>	451,664

iv. Amount recognised in the Profit and Loss Account are as follows :

	<b>Gratuity</b>	
a. Current Service Cost	<b>11,360,534</b>	9,688,664
b. Interest Cost	<b>12,466,898</b>	10,897,309
c. Expected return on Plan Assets	<b>13,915,595</b>	12,474,850
d. Actuarial Losses / (Gains)	<b>9,818,552</b>	(1,516,372)
e. Acquisition Cost	<b>(3,746,158)</b>	-
f. Effect of curtailment / settlement	-	-
g. Recognised in the Profit and Loss Account	<b>15,984,231</b>	6,594,751

v. Broad Categories of plan assets as a percentage of total assets as at 31.03.13

The plan assets are with Life Insurance Corporation of India and the Trust's Investments are in State Government Securities.

vi Actuarial Assumptions at the Balance Sheet date:

	<b>Gratuity</b>	
a. Discount Rate	<b>8.0%</b>	8.5%
b. Expected rate of return on Plan Assets	<b>9.00%</b>	9.00%
c. Salary Escalation rate	<b>5%</b>	5%

Particulars	For the year ended March 31, 2013 Rs.	For the year ended March 31, 2012 Rs.	For the year ended March 31, 2011 Rs.	For the year ended March 31, 2010 Rs.
Defined Benefit Obligation	<b>171,052,744</b>	146,108,679	145,481,596	138,599,297
Plan Assets	<b>163,924,541</b>	145,657,015	144,124,683	139,219,463
(Surplus)/ Deficit	<b>7,128,203</b>	451,664	1,356,913	(620,166)
Experience Adjustment on plan liabilities (gain) / loss	<b>4,935,680</b>	3,136,303	-	-
Experience Adjustment on plan assets (gain) / loss	<b>877,174</b>	(87,960)	-	14,045,773

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.


**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)**

## vii General Descriptions of significant Defined plans:

**Gratuity Plan:**

The Company operates gratuity plan wherein every employee is entitled to the benefit as per the scheme of the Company, for each completed year of service. The same is payable on termination of service or retirement, whichever is earlier. The benefit vests only after five years of continuous service.

## viii The company has valued the compensated absences, as specified in AS 15 (Revised) on actuarial basis. Further Para 132 of AS 15 (Revised 2005) does not require any specific disclosure except where the expense resulting from compensated absences is of such size, nature or incidence that its disclosure is relevant under other accounting standards. In the opinion of the management, the expense resulting from compensated absences is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (Revised 2005).

**31 Details of Segment Reporting**

A.	Information about Business Segment - Primary (See Note below)	2012-13			2011-12		
		Compression Systems	Transmission Equipments	Total	Compression Systems	Transmission Equipments	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Segment Revenue						
	Sales	4,483,558,520	1,004,532,551	5,488,091,071	5,781,278,792	884,862,546	6,666,141,338
	Less: Inter Segment Revenue	-	-	-	-	-	-
	Net Revenue from Operations	4,483,558,520	1,004,532,551	5,488,091,071	5,781,278,792	884,862,546	6,666,141,338
2	Result						
	Segment Result	883,184,194	100,490,774	983,674,968	1,090,456,574	46,229,799	1,136,686,373
	Less: Unallocable Corporate Expenses (Net of Income)			262,776,912			240,022,538
	Operating Profit before Interest			720,898,056			896,663,835
	Less: Interest			13,139,446			11,947,323
	Profit before Tax			707,758,610			884,716,512
3	Other Information						
	Segment Assets	2,118,775,148	825,635,367	2,944,410,515	2,337,315,941	802,093,061	3,139,409,002
	Add: Unallocable common assets			1,866,464,904			1,692,687,491
	Total Assets			4,810,875,419			4,832,096,493
	Segment Liabilities	1,372,029,913	300,654,335	1,672,684,248	1,658,227,419	257,558,189	1,915,785,608
	Add: Unallocable common liabilities			549,063,966			552,066,741
	Total Liabilities			2,221,748,214			2,467,852,349
4	Capital Expenditure During the year	204,368,232	19,730,569	224,098,801	115,161,915	3,799,051	118,960,966
5	Depreciation	72,280,706	39,394,909	111,675,614	75,431,114	44,689,348	120,120,462
	Add: Unallocable Depreciation			3,228,343			451,696
				114,903,957			120,572,158
B	Secondary Segment - Geographical by Customers						
1	Segment Revenue						
	In India			5,323,640,628			6,347,606,750
	Outside India			164,450,443			318,534,588
	Total			5,488,091,071			6,666,141,338

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)

### C Other Disclosures

1. Segments have been identified in line with the Accounting standard, AS-17 "Segment Reporting" (AS -17), taking in to account the organisation structure as well as the differing risks and returns.
2. Company has disclosed Business Segment as the primary segment.
3. Composition of Business Segment
 

Name of the Segment :	Comprises of :
a) Compression Systems	Air and Gas Compressors, Airconditioning and Refrigeration Compressors and Systems etc.
b) Transmission Equipments	Power Transmission Equipments (Torque Converter), Reverse Reduction Gears for Marine Gear Engines, Industrial and Mobile application etc.
4. The Segment Revenue, Results , Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis
5. The Accounting Policies of the Segments are the same as those described in the Significant Accounting Policy as referred in Note 48 to the Financial Statement.

### 32. Disclosure of Transactions with Related Parties as required by the AS-18

#### (A) Name of the related party and nature of relationship where control exists

##### Names of Related parties

1) Holding Company	Kirloskar Brothers Investments Ltd.	
2) Subsidiary Company	Kirloskar RoadRailer Ltd.	
3) Fellow Subsidiary	Kirloskar Oil Engines Ltd. Nashik Silk Industries Ltd.	
4) Associate Company	Kirloskar Chillers Pvt . Ltd.	
5) Key Management Personnel	Mr. Rahul C. Kirloskar Mr. Aditya Kowshik	Executive Chairman Managing Director
6) Relatives of Key Management Personnel	Mrs. Alpana Rahul Kirloskar Mrs. Suman C. Kirloskar Mr. Atul C. Kirloskar Mrs. Kavita Kowshik	Wife Mother Brother Wife

Note : Related Party relationship is as identified by the Company based on the available information and relied upon by the Auditors.




**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)**
**(B) Related Party Transactions**

Amount in Rs.

Nature of Transaction	Year	Holding Company	Subsidiary Company	Fellow Subsidiary Company	Associate Company	Key Management Personnel	Relatives of Key Management Personnel	Total
Purchase of Goods/Assets	2012-13	-	-	5,135,905	28,032	-	-	5,163,937
	2011-12	-	-	4,556,974	55,839	-	-	4,612,813
Sale of Goods / Assets	2012-13	-	-	9,560,000	2,899,868	-	-	12,459,868
	2011-12	-	-	-	464,822	-	-	464,822
Rendering of Services	2012-13	-	-	-	6,300	-	-	6,300
	2011-12	-	-	-	-	-	-	-
Receiving of Services	2012-13	-	-	927,277	-	68,102,595	240,000	69,269,872
	2011-12	-	-	207,297	-	27,460,381	120,000	27,787,678
Rent Received	2012-13	-	-	-	462,000	-	-	462,000
	2011-12	-	-	-	462,000	-	-	462,000
Dividend Received	2012-13	-	-	-	7,350,000	-	-	7,350,000
	2011-12	-	-	-	7,350,000	-	-	7,350,000
Rent Paid	2012-13	-	-	-	-	-	1,800,000	1,800,000
	2011-12	-	-	-	-	-	343,548	343,548
Dividend Paid	2012-13	83,930,112	-	-	-	1,386,948	2,503,452	87,820,512
	2011-12	77,967,048	-	-	-	1,386,948	2,503,452	81,857,448
Balance Outstanding								
Receivable	2012-13	-	-	1,044,105	-	-	-	1,044,105
	2011-12	-	29,693	-	11,305	-	-	40,998
Payable	2012-13	-	-	2,761,237	-	42,500,000	240,000	45,501,237
	2011-12	-	-	1,388,034	-	17,500,000	120,000	19,008,034
Deposit receivable	2012-13	-	-	125,000	-	-	10,000,000	10,125,000
	2011-12	-	-	125,000	-	-	10,000,000	10,125,000
Deposit payable	2012-13	-	-	-	420,000	-	-	420,000
	2011-12	-	-	-	420,000	-	-	420,000
Investment	2012-13	-	1,000,000	-	4,900,000	-	-	5,900,000
	2011-12	-	1,000,000	-	4,900,000	-	-	5,900,000

Receiving of services includes; Remuneration paid / payable to Key Managerial Personnel as per note no 33 and to Relatives of Key Managerial Personnel.

Transactions with fellow subsidiary are only with Kirloskar Oil Engines Ltd.

There are no loans and advances given in the nature of loans to aforementioned Related Parties.

There are no loans and advances given in the nature of loans to firms/companies in which directors are interested.

**33 Managerial Remuneration :**

- a) Profit and Loss Account includes payments and provisions on account of Remuneration to the Executive Directors as under :

	2012-13			2011-12		
	Executive Chairman	Managing Director	Total	* Executive Chairman	**Managing Director	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Salary	12,000,000	4,200,000	16,200,000	2,290,323	4,200,000	6,490,323
House Rent Allowance	-	420,000	420,000	-	420,000	420,000
Commission	30,000,000	12,500,000	42,500,000	5,000,000	12,500,000	17,500,000
Contribution to :						
Provident Fund	1,440,000	504,000	1,944,000	274,839	504,000	778,839
Superannuation Fund	1,800,000	630,000	2,430,000	343,548	630,000	973,548
Gratuity Fund (Refer Note 1)	1,000,000	350,000	1,350,000	190,860	350,000	540,860
Other perquisites	2,606,356	652,239	3,258,595	406,675	350,136	756,811
<b>Gross Remuneration</b>	<b>48,846,356</b>	<b>19,256,239</b>	<b>68,102,595</b>	<b>8,506,245</b>	<b>18,954,136</b>	<b>27,460,381</b>

\* Appointed as Executive Chairman with effect from 23rd January 2012.

\*\* Redesignated as Managing Director with effect from 27th April 2011.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)

Note :

1. As the employee wise breakup of contribution to gratuity fund is not ascertainable, the same has been included on the basis of entitlement in the above figures for the purpose of computation of net profit in terms of Section 349 of Companies Act, 1956, as per rules of the company.
  2. As the employee wise breakup of liability of leave entitlement, based on actuarial valuation, is not ascertainable, the same has not been included in the above figures, for the purpose of computation of Net Profit in terms of Section 349 of the Companies Act, 1956.
- b) Computation of net profit under Section 349 of the Companies Act, 1956.

	<u>2012-13</u>	<u>2011-12</u>
	Rs.	Rs.
1 Net Profit as per Profit and Loss Account	707,758,610	884,716,512
2 <b>ADD</b>		
Directors Remuneration	71,822,595	32,585,381
Loss on sale of Assets	158,495	2,632,341
	<u>779,739,700</u>	<u>919,934,234</u>
3 <b>LESS</b>		
Profit on sale of Assets and Investments	11,181,024	2,120,844
	<u>11,181,024</u>	<u>2,120,844</u>
Net Profit U/S 349	768,558,676	917,813,390
Maximum permissible Remuneration payable to Executive Chairman and Managing Director.	76,855,868	91,781,339
Restricted to	68,102,595	27,460,381
Maximum permissible Commission payable to Non Executive Directors	7,685,587	9,178,134
Restricted to	3,720,000	5,125,000

### 34 Leases

The Company has entered into agreements in the nature of Lease / Leave and License agreement with different Lessors / Licensors for the purpose of establishment of office premises / residential accommodations and assets. These are generally in nature of operating Lease / Leave and License and disclosure required as per accounting standard 19 with regard to the above is as under.

- a. Payment under Lease / Leave and License for period :
  - 1) Not later than 1 year Rs. 4,400,731/-
  - 2) Later than 1 year but not later than 5 years Rs. 6,438,810/-
- b. There are no transaction in the nature of Sub Lease.
- c. Payments recognised in the Profit and Loss Account for the year ended 31st March, 2013 amounts to Rs.7,154,960/-
- d. Period of Agreement is generally for Eleven Months, in some cases extending upto five years and renewable at the option of Lessee.

### 35 Intangible assets

In accordance with the Accounting Standard 26, "Intangible Assets" expenditure on Technical Know-how on Project under implementation is amortized on commencement of commercial production. Expenditure on Technical Know-how, in respect of which commercial production has been started, is amortised over a period of three years based on its usage. Current Year Nil (Previous year Rs.4,166,668/-) . Software is being amortized on pro rata basis from the month of installation, over a period of one year.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)****36 Capital and other commitments:**

	2012-13	2011-12
	Rs.	Rs.
i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	177,315,567	72,946,160
ii. Guarantees given by Company's Bankers for Contracts undertaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bills and Second Charge on Fixed Assets. Amount outstanding as on 31st March 2013.	1,197,651,627	1,388,346,356

**37 Payment to Auditors (Net of Service Tax):**

(a) As Auditors	1,500,000	1,500,000
(b) In Other Capacity		
For Tax Audit	200,000	200,000
For Certificates	40,000	12,000
	<u>1,740,000</u>	<u>1,712,000</u>
(c) For Expenses	31,439	—
	<u>1,771,439</u>	<u>1,712,000</u>

**38 Proposed dividend**

Dividend recommended per share	12	12
Dividend %	120	120

**39 A. Contingent Liabilities not provided for in respect of :**

Claims against the Company not acknowledged as Debts, estimated at	310,188,849	305,226,955
Income Tax Matters under Dispute	30,968,912	712,247
Disputed Central Excise Matters	2,400,872	2,394,872
Disputed Sales Tax Demands	1,157,000	1,157,000
Guarantees given by Company to Customers for the contracts undertaken in usual course of business	14,941,901	3,418,814

- B.** Claim for US \$ 10 million has been filed against the Company in the International Court of Arbitration. The Arbitration proceedings have been stayed by the Honorable High Court of Delhi. The Special Leave Petition filed by the plaintiff against the Order of High Court has been dismissed by the Honorable Supreme Court. Further the Honorable High Court of Delhi has transferred the matter to District Courts, Tis Hazari, Delhi on the grounds of pecuniary jurisdiction. Company has obtained an opinion from Senior Counsel stating that claim made by the plaintiff is not tenable.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)**

**40 Foreign Exchange Derivatives and Exposures hedged / not hedged at close of the year**

(A) Foreign Exchange Derivatives

Nature of Instrument	Currency	Sale / Purchase	31.03.2013	31.03.2012
Forward Contracts	USD	Purchase	473,088	–
Currency Swap	USD	Purchase	1,375,000	2,750,000

All derivatives stated above are for the purpose of hedging the underlying foreign currency exposures.

(B) Exposure not hedged

Nature of Instrument	Currency	31.03.2013	31.03.2012
Receivable	GBP	10,619	4,371
	USD	653,987	438,852
	EUR	181,025	356,195
	JPY	–	4,907,620
	SEK	–	98,795
Payable	GBP	173,052	75,231
	USD	346,296	1,330,368
	EUR	91,938	580,141
	SEK	72,680	–

(C) Exchange differences on account of settlement / revalorization of foreign currency transactions in current account are included in Miscellaneous Expenses Rs. 2,279,378/- (Previous Year Rs.10,239,299/-) if such differences are in the nature of expenses and in Miscellaneous Receipts Rs. Nil, (Previous Year Rs. Nil) if such differences are in the nature of gain.

41 The information as required to be disclosed under the “Micro, Small and Medium Enterprises Development Act,2006” has been determined to the extent such parties have been identified on the basis of information available with the company. Based on this information there are no Micro, Small and Medium Enterprises to whom the company owes dues, which are outstanding for more than 45 days as at 31 st March,2013.

	2012-13 Rs.	2011-12 Rs.
<b>42 Value of Imports calculated on CIF basis</b>		
Raw Materials	<b>507,209,785</b>	910,337,287
Components and Spares	<b>33,952,134</b>	23,286,037
Capital Goods	<b>6,244,956</b>	–
	<b><u>547,406,875</u></b>	<b><u>933,623,324</u></b>

**43 Expenditure in Foreign Currencies (accrual basis) :**

(I) Royalty	–	1,407,308
(ii) Technical Knowhow	–	3,300,289
(iii) Interest	<b>6,499,849</b>	5,967,757
(iv) Professional Fees	<b>1,795,965</b>	20,667,846
(v) Other matters	<b>42,137,028</b>	35,952,344


**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)**
**44 Details of raw material consumed :**

	2012-13 Rs.	2011-12 Rs.
Steel Bars and Plates	1,769,183	4,057,981
Pipes	7,367,171	10,029,449
Castings	40,314,969	40,559,536
Forgings	328,432,317	280,326,033
Foundry Raw material	28,539,827	35,217,966
Components	2,303,327,161	3,124,862,851
Others	258,101,727	220,956,006
	<u>2,967,852,355</u>	<u>3,716,009,822</u>

**45 Imported and Indigenous Raw Materials, Components and Spares Consumption :**

	2012-13		2011-12	
	Rs.	Percentage	Rs.	Percentage
<b>Raw Material</b>				
Imported	519,121,517	17.49	731,753,017	19.69
Indigenously obtained	2,169,226,355	73.09	2,755,470,435	74.15
	<u>2,688,347,872</u>	<u>90.58</u>	<u>3,487,223,452</u>	<u>93.84</u>
<b>Spares</b>				
Imported	40,958,326	1.38	21,069,306	0.57
Indigenously obtained	238,546,157	8.04	207,717,064	5.59
	<u>279,504,483</u>	<u>9.42</u>	<u>228,786,370</u>	<u>6.16</u>

	2012-13 Rs.	2011-12 Rs.
<b>46 Earnings in Foreign Currencies (accrual basis) :</b>		
(i) F.O.B. Value of Exports	164,450,443	318,534,588
(ii) Dividend Received	540,416	315,471

**47 A. Deferred tax asset / liability :**

As required by Accounting Standard 22, "Accounting for taxes on Income", prescribed by Companies (Accounting Standards) Amendment Rules, 2009, the Company has recognised Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits aggregating Rs. 3,217,696/- in the Profit and Loss Account, The details of which are as under.

Rupees			
Particulars	Balance as at 1st April 2012	Arising During the Year	Balance as at 31st March 2013
I. Deferred Tax Liabilities			
a. Depreciation	32,479,714	709,438	33,189,152
II. Deferred Tax Assets			
Disallowances under section 43b of the Income Tax Act	28,205,349	3,927,134	32,132,483
Net Deferred Tax Liability	4,274,365	(3,217,696)	1,056,669

**B.** Current Tax includes Rs.24,203,021/- (PY Rs. Nil) in respect of earlier years.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)

### 48 Significant accounting policies :

#### A. System of Accounting :

- (i) The Company, except under significant and uncertain circumstances, follows the mercantile system of accounting and recognises income and expenditure on accrual basis.
- (ii) The Financial Statements are based on historical costs.
- (iii) Insurance Claims are recognised upon acceptance of claim by the Insurance Companies.
- (iv) Estimates and assumptions used in the preparation of the Financial Statements are based upon Management's evaluation of the relevant facts and circumstances as of the date of the financial statements which may differ from the actual results at a subsequent date.

#### B. Tangible assets :

- (i) Tangible assets are carried at cost of acquisition or construction or at manufacturing cost in case of Company manufactured assets, less accumulated depreciation (except Freehold Land).
- (ii) Depreciation on Assets (other than Freehold Land) :

On Plant and Machinery given on Lease :

Depreciation on Plant and Machinery given on Lease is being provided at the rates worked on Straight Line Method over the primary period of Lease Agreement or at the rate specified in Schedule XIV to the Companies Act, 1956, whichever is higher, on pro-rata basis.

Asset	Primary Lease Period	Rate on Straight Line Method	
		Over the primary Period of Lease	As specified in Schedule XIV
Plant and Machinery	8 years	12.50%	10.34%
Plant and Machinery	5 years	20.00%	10.34%

- (i) Depreciation on Additions to the Fixed Assets up to 31<sup>st</sup> March, 1961, is being provided on "Written Down Value" Method in accordance with the Provisions of Section 205(2)(a) of the Companies Act, 1956, at the rates specified in Schedule No. XIV to the said Act.
- (ii) Depreciation on Additions to Assets from 1st April, 1961, to 30th September, 1987, is being provided for on Straight Line basis in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956, pursuant to Circular No.1/1/86/CLV No.15-(50)84 CL VI dated 21st May, 1986, issued by the Department of Company Affairs, at the rates corresponding to the rates (inclusive of multiple shift allowance) applicable under the Income Tax Rules 1962 as in force at the time of acquisition / installation and on Additions on or after 1st October, 1987, on the same basis at the rates specified in Schedule No. XIV to the Companies Act, 1956.
- (iii) Depreciation on assets of erstwhile Faridabad unit has been charged on Straight Line Method as per rates prescribed by Schedule XIV to the Companies Act, 1956. Depreciation on additions made after 16th December, 1993, has been charged on Straight Line Method at the revised rates as prescribed in Schedule XIV to the Companies Act 1956 and substituted by Notification GSR No.756 (E) dated 16th December, 1993, of the Department of Company Affairs, Government of India.
- (iv) Depreciation on Additions to Fixed Assets is being provided on pro-rata basis from the month of acquisition or installation of the said Asset, as required by Schedule XIV to Companies Act, 1956.
- (v) Depreciation on Additions to Vehicle is being provided on pro-rata basis from the month of acquisition over a period of five years, being the estimated useful life of the asset.
- (vi) Depreciation on Additions, on account of increase in rupee value due to Foreign Exchange fluctuations, is being provided at the rates of depreciation over the future life of said assets.
- (vii) Depreciation on Assets sold, discarded or demolished during the year is being provided at their respective rates up to the month in which such Assets are sold, discarded or demolished.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)****C. Intangible assets :**

Expenditure on acquiring Technical Know-how (intangible asset) is being amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. Depreciation on Additions to Software is being provided on pro-rata basis from the month of installation, over a period of one year. (Also see note no.35)

**D. Investments :**

- a. Long Term Investments are valued at Cost of acquisition less estimated diminution in value determined to be of permanent nature.
- b. Current investments are mainly comprising of investments in mutual funds and are stated at lower of cost or fair value.

**E. Inventories :**

Cost of inventories have been computed to include all costs of Purchase, Cost of Conversion and other costs incurred in bringing inventories to their present location and condition.

- (i) The Stocks of Raw Materials and Components, Stores and Spares are valued at cost calculated on Weighted Average basis.
- (ii) The Stocks of Work-in-Progress (including factory-made components) and Finished Goods are valued on the basis of Full Absorption Cost of attributable factory overheads or net realisable value, whichever is lower.
- (iii) Goods in Transit are stated at actual cost to the date of Balance Sheet.
- (iv) Jigs and Fixtures, Patterns and Dies are valued at Full Absorption Cost of attributable factory overheads and written off equally, over an estimated effective life of three years.
- (v) Unserviceable and absolute Raw Materials are valued at an estimated realisable value.
- (vi) Imported Materials lying in Bonded Warehouse, are valued at cost to the date of Balance Sheet.
- (vii) Excise / Customs Duty :

Excise Duty on Finished Goods and Customs Duty on imported materials are accounted on production of Finished Goods / Receipt of materials in Customs Bonded Warehouse.

**F. Foreign Currency Conversion :****a. Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

**b. Conversion**

Current assets and current liabilities, Secured Loans designated in foreign currencies are revalued at the rate prevailing on the date of Balance Sheet.

**c. Exchange Differences**

Exchange differences arising on the settlement and conversion on foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which they are adjusted in the cost of the corresponding asset. Further, as per Ministry of Corporate Affairs Notification dated 31<sup>st</sup> March 2009, eligible exchange difference on foreign currency loans is adjusted in the cost of the asset to be depreciated over the balance life of the asset. (For change and effect see Note no. 29)

**d. Forward Contracts**

Company uses foreign exchange forward contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange forward contracts reduces the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose.



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)

In respect of foreign exchange forward contracts, difference between forward contract rate and exchange rate prevailing on the date of forward contract (i.e. forward premium / discount) is amortised as income or expense over the life of the contract, except in respect of the liabilities for the acquisition of qualifying assets, where such amortization is adjusted in the cost of the corresponding asset.

### G. Borrowing Cost :

Borrowing cost directly attributable to the acquisition / construction or production of qualifying asset are capitalised in the month in which the said asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expense in the period in which these are incurred.

### H. Sales :

(i) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery to customers. Sales are stated net of discounts, rebates, returns etc.

(ii) Export Sales are accounted for on the basis of dates of Bills of Lading.

(iii) Construction Contract Sales :

In respect of Construction Contracts undertaken by the Company, the expenditure to the date of Balance Sheet on incomplete contracts wherein profit cannot be estimated reliably, is recognised as sales to the extent recoverable from the customer.

### I. Income Tax :

Tax Expense comprises both current and deferred tax. Provision for current tax is made on the basis of taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961.

Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for, at prevailing or substantially enacted rate of tax to the extent timing differences are expected to crystallise, in case of Deferred Tax Liabilities with reasonable certainty and incase of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.

### J. Employee Benefits :

(A) Short term Employee Benefits :

All employee benefits payable within twelve months of rendering of the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, ex gratia etc. and are recognised in the period in which the employee renders the related service.

(B) Post Employment Benefits ;

(i) Defined Contribution Plans :

The Company's approved superannuation scheme, State government provident fund scheme and employee state insurance scheme are defined contribution plans. The contribution paid / payable under the scheme is recognised during the period in which the employee renders the related service.

(ii) Defined Benefits Plans:

The employee's gratuity fund scheme, long term compensated absences are company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected unit Credit Method, as at the date of the balance Sheet.

(iii) In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plan.

(iv) Termination benefits are recognised as an expense as and when incurred.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)****K. Provisions :**

Provisions are recognised when there is a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and which can be reliably estimated.

**49** Previous years figures have been regrouped wherever necessary to make them comparable with those of the current year.

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As per our attached report of even date

For and on behalf of the Board of Directors

**For M/s P. G. Bhagwat**

Firm Registration No. 101118W  
Chartered Accountants

**Aditya Kowshik**  
Managing Director

**Rahul C. Kirloskar**  
Executive Chairman

**S. S. Athavale**

Partner  
Membership No. 83374  
Pune, April 24, 2013

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Finance Controller  
Pune, April 24, 2013

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Statement showing information for subsidiary company in terms of general exemption granted by the Ministry of Corporate Affairs under section 212 (8) of the Companies Act, 1956 vide General Circular No. 2/2011 dt. February 8, 2011.

	Reporting Currency INR
Name of the Subsidiary- Kirloskar RoadRailer Ltd.	
Exchange Rate	1.00
Capital	1,000,000
Reserves	(96,914)
Total Assets	908,086
Total Liabilities	908,086
Investments Other than Investment in Subsidiary - Long Term	-
Turnover	-
Profit before Taxation	(31,071)
Provision for Taxation	-
Profit after Taxation	(31,071)
Proposed Dividend	-
Country	India

## **CONSOLIDATED STATEMENTS**


**CONSOLIDATED STATEMENTS**
**INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF KIRLOSKAR PNEUMATIC COMPANY LIMITED**

We have audited the accompanying consolidated financial statements of Kirloskar Pneumatic Company Limited and its subsidiary, which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We report that the consolidated financial statements have been prepared by the management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, and Accounting Standard 23, Accounting for Investments in Associates, and on the basis of separate audited financial statements of Kirloskar Pneumatic Company Ltd., audited by us, and its subsidiary whose financial statements are audited by another Auditor, and an Associate company, whose financial statements are audited by another Auditor, included in the financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- in the case of the consolidated Profit and Loss Account, of the profit for the year ended on that date; and
- in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **M/S P G BHAGWAT**

Chartered Accountants  
Firm's Registration Number 101118W

Sanjay Athavale  
Partner  
Membership Number 83374  
Pune: 24.04.2013

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2013**

	Note No.	Rs.	As at 31st March 13 Rs.	As at 31st March 12 Rs.
<b>I. EQUITY AND LIABILITIES</b>				
(1) <b>SHAREHOLDERS' FUNDS :</b>				
(a) Share Capital	1	128,443,380		128,443,380
(b) Reserves & Surplus	2	<u>2,584,394,673</u>		<u>2,168,911,806</u>
			<b>2,712,838,053</b>	<b>2,297,355,186</b>
(2) <b>SHARE APPLICATION MONEY PENDING ALLOTMENT :</b>				
(3) <b>NON CURRENT LIABILITIES :</b>				
(a) Long Term Borrowings	3	-		62,548,750
(b) Deferred Tax Liability (Net)	4	1,056,669		4,274,365
(c) Other Long Term Liabilities	5	11,007,182		13,174,461
(d) Long Term Provisions	6	<u>38,381,143</u>		<u>26,500,705</u>
			<b>50,444,994</b>	<b>106,498,281</b>
(4) <b>CURRENT LIABILITIES :</b>				
(a) Short Term Borrowings		-		-
(b) Trade Payables	7	852,248,179		1,077,945,194
(c) Other Current Liabilities	8	890,988,351		862,113,860
(d) Short Term Provisions	9	<u>429,128,359</u>		<u>488,123,129</u>
			<b>2,172,364,889</b>	<b>2,428,182,183</b>
	<b>Total</b>		<b><u>4,935,647,936</u></b>	<b><u>4,832,035,650</u></b>
<b>II. ASSETS :</b>				
(1) <b>NON CURRENT ASSETS :</b>				
(a) <b>Fixed Assets</b>				
(i) Tangible Assets	10	895,375,558		780,576,593
(ii) Intangible Assets	11	125,001,930		125,275,639
(iii) Capital work in progress		21,134,984		20,424,092
(b) Non Current Investments	12	203,446,335		29,713,098
(c) Long Term Loans and Advances	13	61,332,917		45,170,926
(d) Other Non Current Assets	14	<u>14,073,180</u>		<u>28,465,895</u>
			<b>1,320,364,904</b>	<b>1,029,626,243</b>
(2) <b>CURRENT ASSETS :</b>				
(a) Current Investments	15	1,050,000,000		1,000,000,000
(b) Inventories	16	723,845,996		821,739,537
(c) Trade Receivables	17	1,320,671,371		1,350,411,642
(d) Cash and Bank Balances	18	159,756,745		252,315,198
(e) Short Term Loans and Advances	19	87,689,728		84,024,826
(f) Other Current Assets	20	<u>273,319,192</u>		<u>293,918,204</u>
			<b>3,615,283,032</b>	<b>3,802,409,407</b>
	<b>Total</b>		<b><u>4,935,647,936</u></b>	<b><u>4,832,035,650</u></b>

Notes forming part of the Financial Statements

1 - 49

As per our attached report of even date

For and on behalf of the Board of Directors

For **M/s P. G. Bhagwat**  
Firm Registration No. 101118W  
Chartered Accountants

**S. S. Athavale**  
Partner  
Membership No. 83374  
Pune, April 24, 2013

**Aditya Kowshik**  
Managing Director

**Jitendra Shah**  
Company Secretary

**Rahul C. Kirloskar**  
Executive Chairman

**Suhas S. Kolhatkar**  
Vice President & Finance Controller  
Pune, April 24, 2013

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH, 2013**

	Note No.	Rs.	Current Year Rs.	Previous Year Rs.
I	21		5,947,597,296	7,116,135,665
			<u>459,506,225</u>	<u>449,994,327</u>
			5,488,091,071	6,666,141,338
II	22		<u>128,587,914</u>	<u>135,608,640</u>
III			5,616,678,985	6,801,749,978
IV				
	23	2,967,852,355		3,716,009,822
	24	(121,271,491)		202,677,085
	25	802,783,981		705,085,055
	26	13,139,446		11,947,323
	27	114,903,957		120,572,158
	28	<u>1,138,893,198</u>		<u>1,160,806,866</u>
			4,916,301,446	5,917,098,309
V			<u>700,377,539</u>	<u>884,651,669</u>
VI			-	-
VII			700,377,539	884,651,669
VIII			-	-
IX			700,377,539	884,651,669
X				
		240,000,000		277,000,000
		<u>(3,217,696)</u>		<u>(11,428,813)</u>
			236,782,304	265,571,187
			<u>463,595,235</u>	<u>619,080,482</u>
			23,257,347	-
			<u>486,852,582</u>	<u>619,080,482</u>
			37.90	48.20
			37.90	48.20

Notes forming part of the Financial Statements

1- 49

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013**

PARTICULARS	Rs.	2012-13 Rs.	2011-2012 Rs.
(I) <b>OPERATING ACTIVITIES</b>			
(A) PROFIT BEFORE TAXATION		700,377,539	884,651,669
(B) ADJUSTMENTS :			
<b>Add :</b>			
(i) Depreciation and Amortisation	114,903,957		120,572,158
(ii) Bad Debts	6,084,438		5,257,985
(iii) Loss on Assets sold	158,495		2,632,341
(iv) Interest on Secured / Unsecured Loans	<u>13,139,446</u>		<u>11,947,323</u>
		<u>134,286,336</u>	<u>140,409,807</u>
		834,663,875	1,025,061,476
<b>Less :</b>			
(i) Investment Income included above :			
(a) Dividend	71,622,051		58,544,018
(b) Interest Received	<u>2,028,781</u>		<u>12,406,856</u>
		73,650,832	70,950,874
(ii) Surplus on Sale of Assets	1,769,024		2,120,844
(iii) Profit on Sale of Investment	9,412,000		-
(iv) Provision no longer required	302,416		2,535,001
(v) Sundry Credit Balances appropriated	5,498,187		4,101,812
(vi) Income Tax paid	<u>262,511,635</u>		<u>303,556,613</u>
		<u>353,144,094</u>	<u>383,265,144</u>
		481,519,781	641,796,332
<b>CASH FROM OPERATIONS</b>			
(C) (INCREASE) / DECREASE IN CURRENT ASSETS			
(i) Inventories	97,893,541		2,481,740
(ii) Sundry Debtors	38,048,548		81,711,541
(iii) Other Current Assets, Loans & Advances	<u>(27,016,046)</u>		<u>179,003,101</u>
		108,926,043	263,196,382
(D) INCREASE / (DECREASE) IN CURRENT LIABILITIES			
(i) Liabilities		<u>(182,028,376)</u>	<u>(151,269,445)</u>
		<u>(73,102,333)</u>	<u>111,926,937</u>
		408,417,448	753,723,269
(II) <b>INVESTMENT ACTIVITIES</b>			
(i) Investments, net.	(89,456,806)		(421,106,239)
(ii) Capital Expenditure - Tangible Assets	(235,186,389)		(156,685,775)
(iii) Capital Expenditure - Intangible Assets	(6,686,089)		(21,350,163)
(iv) Sale proceeds of Assets	<u>2,439,681</u>		<u>5,021,061</u>
		(328,889,603)	(594,121,116)
(v) Investment Income :			
(a) Dividend	71,622,051		58,544,018
(b) Dividend received from Associate Company	7,350,000		-
(c) Interest Received	<u>2,028,781</u>		<u>12,406,856</u>
		81,000,832	70,950,874
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<u>(247,888,771)</u>	<u>(523,170,242)</u>
(III) <b>FINANCING ACTIVITIES</b>			
(i) Increase / (Decrease) in Secured Loans	(62,548,750)		(63,470,000)
(ii) Interest on Secured / Unsecured Loans	(13,857,973)		(12,188,554)
(iii) Increase / (Decrease) in Unsecured Loans	-		-
(iv) Dividend & Dividend Tax paid	<u>(176,680,407)</u>		<u>(176,803,342)</u>
<b>NET CASH FROM FINANCING ACTIVITY</b>		<u>(253,087,130)</u>	<u>(252,461,896)</u>
<b>NET CHANGE IN CASH + CASH EQUIVALENTS (I + II + III)</b>		<u>(92,558,453)</u>	<u>(21,908,869)</u>
<b>Cash &amp; Cash Equivalents as at 1-4-2012 (Opening Balance)</b>		252,315,198	274,224,067
<b>Cash &amp; Cash Equivalents as at 31-3-2013 (Closing Balance)</b>		159,756,745	252,315,198

As per our attached report of even date

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat  
Firm Registration No. 101118W  
Chartered Accountants

S. S. Athavale  
Partner  
Membership No. 83374  
Pune, April 24, 2013

Aditya Kowshik  
Managing Director

Jitendra Shah  
Company Secretary

Rahul C. Kirloskar  
Executive Chairman

Suhas S. Kolhatkar  
Vice President & Finance Controller  
Pune, April 24, 2013


**NOTES**

Note Nos. 1-49 annexed to and forming part of the Financial Statements for the year ended 31st March, 2013

	Rs.	As at 31st March, 2013 Rs.	As at 31st March, 2012 Rs.
<b>NOTE 1 : SHARE CAPITAL :</b>			
<b>EQUITY SHARES:</b>			
<b>AUTHORISED :</b>			
15,000,000 Equity Shares of Rs.10/- each		150,000,000	150,000,000
		<u>150,000,000</u>	<u>150,000,000</u>
<b>ISSUED AND SUBSCRIBED :</b>			
12,844,338 Equity Shares of Rs.10/- each		128,443,380	128,443,380
		<u>128,443,380</u>	<u>128,443,380</u>
<b>PAID UP :</b>			
12,844,338 Equity Shares of Rs.10/- each fully paid		128,443,380	128,443,380
		<u>128,443,380</u>	<u>128,443,380</u>
<b>Total</b>		<u>128,443,380</u>	<u>128,443,380</u>
<b>Rights attached to Equity Shares :</b>			
The Company has only one class of share capital, i.e. equity shares having face value of Rs.10/- per share. Each holder of equity share is entitled to one vote per share.			
<b>Share Holding Details :</b>			
Shareholder holding more than 5%		Nos.	Nos.
a) Kirloskar Brothers Investments Ltd. (Holding Company w.e.f. 20th May 2011)		6,994,176	6,784,884
		54.45%	52.82%
b) Reliance Capital Trustee Co. Ltd.		1,122,320	911,674
		8.74%	7.10%
<b>NOTE 2 : RESERVES AND SURPLUS :</b>			
<b>Capital Reserve :</b>			
As per last Account		27,965	27,965
<b>Securities Premium (Share Premium) Account:</b>			
As per last Account		51,817,923	51,817,923
<b>*Revaluation Reserve:</b>			
As per last Account	-		10,154,527
Less: Adjusted during the year	-		<u>10,154,527</u>
		-	-
<b>General Reserve :</b>			
As per last Account	1,900,000,000		1,500,000,000
Add: Set aside this year	<u>300,000,000</u>		<u>400,000,000</u>
		2,200,000,000	1,900,000,000
<b>Surplus :</b>			
As per last Account	217,065,918		177,121,565
Add : Share in profits of Associate Company	108,957,084		-
Add : Transferred from Statement of Profit & Loss Account	486,852,582		619,080,482
	<u>812,875,584</u>		<u>796,202,047</u>
Less :			
Transfer to General Reserve	300,000,000		400,000,000
Proposed Dividend	154,132,056		154,132,056
Tax on Proposed Dividend	<u>26,194,743</u>		<u>25,004,073</u>
	480,326,799		579,136,129
		<u>332,548,785</u>	<u>217,065,918</u>
<b>Total</b>		<u>2,584,394,673</u>	<u>2,168,911,806</u>
* On Revaluation of certain Plant & Machinery in 1984.			
<b>NOTE 3 : LONG TERM BORROWINGS :</b>			
<b>SECURED LOANS :</b>			
Term Loan from Bank (For security & terms of repayment, see notes below)		-	62,548,750
		<u>-</u>	<u>62,548,750</u>
(a) External Commercial Borrowing of US\$ 5,500,000 from Bank of India, UK, is secured by hypothecation of Plant and Machinery amounting to Rs.402,854,000/- purchased out of the said loan.			
(b) Terms of repayment - Eight equal half yearly installments w.e.f June 2010			
<b>NOTE 4 : DEFERRED TAX LIABILITIES :</b>			
Deferred Tax Liabilities		33,189,152	32,479,714
Deferred Tax Assets (Refer Note no.47A)		<u>32,132,483</u>	<u>28,205,349</u>
<b>Total</b>		<u>1,056,669</u>	<u>4,274,365</u>
<b>NOTE 5 : OTHER LONG TERM LIABILITIES :</b>			
Deposits Received		7,242,571	7,761,899
Other Liabilities		<u>3,764,611</u>	<u>5,412,562</u>
<b>Total</b>		<u>11,007,182</u>	<u>13,174,461</u>
<b>NOTE 6 : LONG TERM PROVISIONS :</b>			
Provision for Employee Benefits		<u>38,381,143</u>	<u>26,500,705</u>
<b>Total</b>		<u>38,381,143</u>	<u>26,500,705</u>
<b>NOTE 7 : TRADE PAYABLES :</b>			
(i) Due to Micro, Small and Medium Enterprises		-	-
(ii) Other Trade Payables	<u>852,248,179</u>		1,077,945,194
		<u>852,248,179</u>	<u>1,077,945,194</u>
<b>Total</b>		<u>852,248,179</u>	<u>1,077,945,194</u>
<b>NOTE 8 : OTHER CURRENT LIABILITIES :</b>			
Current maturities of Long Term Debt		62,548,750	62,548,750
Interest accrued but not due on borrowings		687,333	1,405,860
Unpaid Dividends		11,288,442	8,832,720
Advances Received		231,885,633	229,536,024
Other Payables		<u>584,578,193</u>	<u>559,790,506</u>
<b>Total</b>		<u>890,988,351</u>	<u>862,113,860</u>
<b>NOTE 9 : SHORT TERM PROVISIONS :</b>			
Provision for Employee Benefits		33,004,581	31,987,000
Provision for Income Tax		215,796,979	277,000,000
Proposed Dividend		154,132,056	154,132,056
Tax on Dividend		<u>26,194,743</u>	<u>25,004,073</u>
<b>Total</b>		<u>429,128,359</u>	<u>488,123,129</u>

**NOTE 10 : TANGIBLE ASSETS :**

PARTICULARS	TANGIBLE ASSETS								TOTAL	
	FREE HOLD LAND RS.	BUILDINGS RS.	PLANT & MACHINERY RS.	ELECTRI. INSTAL. RS.	OFFICE EQUIPMENTS RS.	FURNITURE & FIXTURE RS.	VEHICLE RS.	LEASE ASSET P & M RS.	AS AT 31/03/2013 RS.	AS AT 31/03/2012 RS.
<b>GROSS BLOCK AT COST :</b>	2,164,553	232,354,854	1,121,962,124	34,568,762	29,491,819	38,909,163	59,112,165	49,037,904	1,567,601,344	1,511,651,401
As at 01/04/2012										
Increase due to Revaluation on 30/06/84	-	-	-	-	-	-	-	-	-	10,154,527
Additions	-	158,559,739	35,984,389	1,813,815	3,381,995	3,758,674	20,073,664	-	223,572,276	170,177,255
Deduction in revaluation during the year	-	-	-	-	-	-	-	-	-	10,154,527
Deductions and adjustments	-	-	10,324,408	-	-	213,028	3,759,432	-	14,296,868	-
Apportioned Cost As at 31/03/2013	2,164,553	390,914,593	1,147,622,105	36,382,577	32,873,814	42,454,809	75,426,397	49,037,904	1,776,876,752	1,567,601,344
<b>DEPRECIATION :</b>										
Up to 31/03/2012	-	63,721,947	597,954,044	14,361,551	7,483,316	24,166,873	30,299,116	49,037,904	787,024,751	795,228,427
For the year	-	7,484,899	85,844,482	1,102,841	1,387,513	1,572,996	10,551,428	-	107,944,159	103,254,828
Deductions and Adjustments	-	-	10,310,360	-	-	54,533	3,102,823	-	13,467,716	114,227,312
Total Depreciation up to 31/03/2013	-	71,206,846	673,488,166	15,464,392	8,870,829	25,685,336	37,747,721	49,037,904	881,501,194	787,024,751
<b>NET BLOCK</b>	<b>2,164,553</b>	<b>319,707,747</b>	<b>474,133,939</b>	<b>20,918,185</b>	<b>24,002,985</b>	<b>16,769,473</b>	<b>37,678,676</b>	<b>-</b>	<b>895,375,558</b>	<b>780,576,593</b>
As at 31/03/2013										
As at 31/03/2012	2,164,553	168,632,907	524,008,080	20,207,211	22,008,503	14,742,290	28,813,049	-	780,576,593	

- a) Includes premises on Ownership basis in Co-operative Societies Rs.844,900/- (Previous year Rs.844,900/-)  
b) Deductions & Adjustments to Gross Block include Loss on fluctuation of foreign exchange rates in respect of foreign currency borrowing consequent to amendment to AS 11 aggregating to Rs.Nil, (Previous year Rs. 2,763,750/-).

**NOTE 11 : INTANGIBLE ASSETS :**

PARTICULARS	INTANGIBLE ASSETS		TOTAL	
	SOFTWARES RS.	TECHNICAL KNOWHOW RS.	AS AT 31/03/2013 RS.	AS AT 31/03/2012 RS.
<b>GROSS BLOCK AT COST :</b>	25,094,888	134,164,746	159,259,634	137,909,471
As at 01/04/2012				
Additions	6,686,089	-	6,686,089	21,350,163
Apportioned Cost As at 31/03/2013	31,780,977	134,164,746	165,945,723	159,259,634
<b>DEPRECIATION :</b>				
Up to 31/03/2012	21,483,995	12,500,000	33,983,995	16,666,665
For the year	6,959,798	-	6,959,798	17,317,330
Total Depreciation up to 31/03/2013	28,443,793	12,500,000	40,943,793	33,983,995
<b>NET BLOCK</b>	<b>3,337,184</b>	<b>121,664,746</b>	<b>125,001,930</b>	<b>125,275,639</b>
As at 31/03/2013				
As at 31/03/2012	3,610,893	121,664,746	125,275,639	

**NOTE 12 : NON CURRENT INVESTMENTS :**

**INVESTMENTS AT COST :**

Government and Trust Securities

Quoted :

Unit Trust of India :

201,988 units of Rs.10/- each in

UTI Balanced fund (Growth)

8,063

8,063

5,288,053 (5,055,201) units of Rs.10/- each in

UTI Balanced fund (Dividend Plan-Re-investment)

88,502

83,447

96,565

91,510

8,244

8,244

3300 Master Shares of Rs.10/- each

104,809

99,754

Fully paid Equity Shares :

Trade, Unquoted :

1 Share of Rs.100/- each in Kirloskar Proprietary Ltd.

100

100

100

Other, Quoted :

100,000 Shares of Rs.10/- each in

The Mysore Kirloskar Ltd.

2,400,000

2,400,000

Less: Provision for diminution in value

(2,399,999)

(2,399,999)

1

1

46,990 Shares of Rs.2/- each in

Housing Development Finance Corporation Ltd.

117,475

117,475

375,000 Shares of Rs.10/- each in

Kirloskar Investment and Finance Ltd.

5,000,000

5,000,000

Less: Provision for diminution in value

(4,999,999)

(3,863,750)

1,136,250

10,059 shares of Rs.10/- each in

ICICI Bank Ltd.

206,101

206,101

2,000,000 Shares of Rs.5/- each in

Kirloskar Ferrous Industries Ltd.

20,000,000

20,000,000

2,500 Shares of Rs.2/- each in

HDFC Bank Ltd.

5,000

5,000

1,400 Equity shares of Rs. 10/- each in

Punjab National Bank

43,400

43,400

20,371,978

21,508,227

Unquoted :

1,272 Shares of Ken. Sh. 1,000/- each in

Kirloskar Kenya Ltd.

833,984

833,984

56,250 Shares of Singapore \$ 1 each in

Kirsons Trading Pte. Ltd. - a Foreign Body Corporate.

1,120,932

1,120,932

1 share of Rs.100/- fully paid in

The Nasik Merchants' Co-operative Bank Ltd.

100

100

62,500 Shares of Rs.20/- each fully paid in

The Cosmos Co-operative Bank Ltd.

1,250,000

1,250,000

Associate Company

490,000 Equity Shares of Rs.10/- each fully paid in

Kirloskar Chillers Pvt.Ltd.

4,900,000

4,900,000

Add : Share in profit at the beginning of the year

108,957,084

-

Less : Dividend received during the year

7,350,000

-

Add: Share in profit for the year

23,257,347

-

129,764,431

4,900,000

Carried Over Rs.

132,969,447

8,105,016

153,446,334

29,713,097





**NOTE 12 : NON CURRENT INVESTMENTS : (Contd.)**

	Rs.	As at 31st March, 2013 Rs. 153,446,334	As at 31st March, 2012 Rs. 29,713,097
Brought Over Rs.			
In Debentures and Bonds :			
Quoted :			
\$ 25,000 12.5% Secured Redeemable Partly Convertible Debentures of Rs.100/- each of The Mysore Kirloskar Ltd. Balance non-convertible portion of Rs.44/- per Debenture - matured on 01.06.1998 awaiting realisation Less: Provision for diminution in value	1,100,000 <u>(1,099,999)</u>	1	1,100,000 <u>(1,099,999)</u> 1
Quoted :			
Mutual Funds :			
5,000,000.00 (-) units of Rs. 10/- each of HDFC FMP 384 D March 13- Series 23		<u>50,000,000</u>	<u>-</u>
<b>Total</b>		<u>203,446,335</u>	<u>29,713,098</u>
		Book Value as at	Market Value as at
	31st March, 2013	31st March, 2012	31st March, 2013
	Rs.	Rs.	Rs.
Quoted	70,476,788	21,607,982	145,720,385
Unquoted	<u>132,969,547</u>	<u>8,105,116</u>	<u>-</u>
Total Rs.	<u>203,446,335</u>	<u>29,713,098</u>	<u>145,720,385</u>
Aggregate provision for diminution in value	<u>(8,499,997)</u>	<u>(7,363,748)</u>	<u>91,490,040</u>

\$ Included in market value at face value / paid up value, whichever is lower, as the quotations are not available.

**Note :** Investments made by the Company being of long term nature, diminution in the value of Quoted investments are generally not considered to be a permanent nature. However, provision for such diminution as considered necessary by the Management has been made in the Financial statements.

**NOTE 13 : LONG TERM LOANS AND ADVANCES :**

	Rs.	Rs.
UNSECURED, GOOD :		
(Unless otherwise stated)		
Advances to Suppliers of Capital Goods	23,768,780	12,865,560
Deposits	27,367,121	25,819,388
Other Loans and Advances	<u>10,197,016</u>	<u>6,485,978</u>
<b>Total</b>	<u>61,332,917</u>	<u>45,170,926</u>

**NOTE 14 : OTHER NON CURRENT ASSETS :**

Long Term Trade Receivables - Unsecured	14,073,180	28,465,895
<b>Total</b>	<u>14,073,180</u>	<u>28,465,895</u>

**NOTE 15 : CURRENT INVESTMENTS AT COST :**

	Rs.	Rs.
Quoted :		
- (7,000,000.00) units of Rs. 10/- each of DSP Black Rock FMP Series 36 3M Dividend	-	70,000,000
- (3,000,000.00) units of Rs. 10/- each of DSP Black Rock FMP Series 39 12M Dividend	-	30,000,000
- (5,000,000.00) units of Rs. 10/- each of IDFC Fixed Maturity Yearly Series 61 Dividend	-	50,000,000
- (7,000,000.00) units of Rs. 10/- each of IDFC FMP Yearly Series 52 Dividend	-	70,000,000
- (2,000,000.00) units of Rs. 10/- each of Kotak FMP -Series 45 Dividend	-	20,000,000
- (3,000,000.00) units of Rs. 10/- each of Kotak FMP -Series 75 Dividend	-	30,000,000
- (2,000,000.00) units of Rs. 10/- each of Reliance Fixed Horizon Fund XX Series 15 Div. Plan	-	20,000,000
- (5,000,000.00) units of Rs. 10/- each of Reliance Fixed Horizon Fund XX Series 13 Div. Plan	-	50,000,000
- (5,000,000.00) units of Rs. 10/- each of Reliance Fixed Horizon Fund XXI Series 6 Div. Plan	-	50,000,000
- (2,000,000.00) units of Rs. 10/- each of Religare FMP Series X Plan-E	-	20,000,000
- (3,000,000.00) units of Rs. 10/- each of Sundaram Interval Fund Quarterly Plan Fixed Term Plan-E Div.	-	30,000,000
- (5,000,000.00) units of Rs. 10/- each of Sundaram Fixed Term Plan Div.	-	50,000,000
- (4,500,000.00) units of Rs. 10/- each of Tata Fixed Maturity Plan Series 39 Scheme A Div.	-	45,000,000
- (5,000,000.00) units of Rs. 10/- each of Birla SunLife FMP Series-EG Div.	-	50,000,000
- (2,000,000.00) units of Rs. 10/- each of SBI Debt Fund Series 13 Div.	-	20,000,000
- (5,000,000.00) units of Rs. 10/- each of SBI Debt Fund Series Div.	-	50,000,000
- (5,000,000.00) units of Rs. 10/- each of SBI Debt Fund Series 58-90 Days Div.	-	50,000,000
- (7,000,000.00) units of Rs. 10/- each of UTI Fixed Term Income Fund Series IX-V Div.	-	70,000,000
- (3,000,000.00) units of Rs. 10/- each of UTI Fixed Term Income Fund Series IX-VI Div.	-	30,000,000
- (7,000,000.00) units of Rs. 10/- each of ICICI Prudential FMP Series 57 Plan A Div.	-	70,000,000
- (5,000,000.00) units of Rs. 10/- each of HDFC FMP 92 D March 12- Series XIX	-	50,000,000
- (5,000,000.00) units of Rs. 10/- each of HDFC FMP March 12- Series XIX	-	50,000,000
- (2,500,000.00) units of Rs. 10/- each of L & T FMP VI March Div.	-	25,000,000
7,000,000.00 (-) units of Rs. 10/- each of DSP Black Rock FMP Series 87-12M - Qtr Dividend	70,000,000	-
3,000,000.00 (-) units of Rs. 10/- each of DSP Black Rock FMP Series 94 12M Dividend	30,000,000	-
4,810,004.810 (-) units of Rs. 10.395/- each of IDFC Dynamic Bond Fund-Regular Plan- Qtr. Dividend	50,000,000	-
2,000,000.00 (-) units of Rs. 10/- each of Kotak FMP Series 87 Dividend	20,000,000	-
Carried Over Rs.	<u>170,000,000</u>	100,000,000

**NOTE 15 : CURRENT INVESTMENTS AT COST : : (Contd.)**

	Rs.	As at 31st March, 2013 Rs.	As at 31st March, 2012 Rs.
Brought Over Rs.		170,000,000	100,000,000
3,000,000.00 (-) units of Rs. 10/- each of Kotak FMP -Series 96 Dividend		30,000,000	-
5,592,528.382 (-) units of Rs. 10.729/- each of Kotak Bond Scheme Plan A Qtr. Dividend		60,000,000	-
2,696,544.378 (-) units of Rs. 14.8338/- each of Reliance Dynamic Bond Fund Direct Plan Dividend		40,000,000	-
5,000,000.00 (-) units of Rs. 10/- each of Reliance Yearly Interval Fund Series 2 Dividend Plan		50,000,000	-
1,999,420.168 (-) units of Rs. 10.003/- each of Religare Credit Opportunities Fund Inst Daily Dividend		20,000,000	-
5,000,000.00 (-) units of Rs. 10/- each of Sundaram FTP DE Dividend		50,000,000	-
40,376.126.00 (-) units of Rs. 1,114.520/- each of Tata Liquid Fund Plan A Daily Dividend		45,000,000	-
4,345,143.433 (-) units of Rs. 11.507/- each of Birla Dynamic Bond Fund Retail Qtr. Dividend		50,000,000	-
10,000,000.00 (-) units of Rs. 10/- each of SBI Debt Fund Series 5- Dividend		100,000,000	-
2,000,000.00 (-) units of Rs. 10/- each of SBI Debt Fund Series 13		20,000,000	-
7,000,000.00 (-) units of Rs. 10/- each of UTI-Fixed Term Income Fund Series XII		70,000,000	-
3,000,000.00 (-) units of Rs. 10/- each of UTI Fixed Term Income Fund Series XIV-VII Div.		30,000,000	-
9,997.859 (-) units of Rs. 1,000.2141/- each of UTI-Treasury Advantage Fund Inst. Plan Daily Dividend		10,000,000	-
7,000,000.00 (-) units of Rs. 10/- each of ICICI Prudential FMP Series 64- Plan J		70,000,000	-
5,000,000.00 (-) units of Rs. 10/- each of ICICI Prudential Interval Fund Series VI Plan A		50,000,000	-
5,000,000.00 (-) units of Rs. 10/- each of HDFC FMP Aug 2012 (1) Dividend Series 22		50,000,000	-
2,500,000.00 (-) units of Rs. 10/- each of L & T FMP VI Dividend		25,000,000	-
5,000,000.00 (-) units of Rs. 10/- each of DWS Fixed Maturity Plan Series 24 Dividend		50,000,000	-
5,021,971.124 (-) units of Rs. 11.948/- each of DWS Premier Bond Fund Regular Plan Qtr Dividend		60,000,000	-
<b>Total</b>		<b><u>1,050,000,000</u></b>	<b><u>1,000,000,000</u></b>

	31st March, 2013 Rs.	Book Value as at 31st March, 2012 Rs.	Market Value as at 31st March, 2013 Rs.	31st March, 2012 Rs.
Quoted	1,050,000,000	1,000,000,000	1,077,442,947	1,019,381,450
<b>Total</b>	<b><u>1,050,000,000</u></b>	<b><u>1,000,000,000</u></b>	<b><u>1,077,442,947</u></b>	<b><u>1,019,381,450</u></b>

**NOTE 16 : INVENTORIES :**

Raw Materials :	346,766,154	568,905,093
(Includes Rs.215,000/- (Rs.880,000/-) in Bonded Warehouse)		
Work-in-progress :	298,584,328	193,775,372
Finished Goods, at cost or net realisable value	47,811,035	31,348,500
Stores & Spares :	30,684,479	27,710,572
<b>Total</b>	<b><u>723,845,996</u></b>	<b><u>821,739,537</u></b>

As Certified by the Managing Director

**NOTE 17 : TRADE RECEIVABLES : UNSECURED**

Trade Receivables - Unsecured			
(a) Outstanding over six months	139,168,107		214,557,652
(b) Others	<u>1,181,503,264</u>		<u>1,135,853,990</u>
<b>Total</b>		<b><u>1,320,671,371</u></b>	<b><u>1,350,411,642</u></b>

**NOTE 18 : CASH AND BANK BALANCES :**

Cash & Cash Equivalent:		
Cash on hand	574,040	1,174,727
Balances with Banks:		
In Current Accounts	<u>147,894,263</u>	<u>242,307,751</u>
Earmarked Balances with Banks	148,468,303	243,482,478
	<u>11,288,442</u>	<u>8,832,720</u>
<b>Total</b>	<b><u>159,756,745</u></b>	<b><u>252,315,198</u></b>

**NOTE 19 : SHORT TERM LOANS AND ADVANCES :**

UNSECURED, GOOD :	87,689,728	84,024,826
(Unless otherwise stated)		
<b>Total</b>	<b><u>87,689,728</u></b>	<b><u>84,024,826</u></b>

**NOTE 20 : OTHER CURRENT ASSETS :**

Sundry Deposits	4,011,332	2,382,740
Balances with Central Excise	25,193,793	8,730,012
Taxes paid in Advance	<u>244,114,067</u>	<u>262,805,452</u>
<b>Total</b>	<b><u>273,319,192</u></b>	<b><u>293,918,204</u></b>



	Rs.	Current Year Rs.	Previous Year Rs.
<b>NOTE 21 : REVENUE FROM OPERATIONS :</b>			
Sale of Products		5,214,813,465	6,081,138,677
Works Contract Sale		21,384,678	380,523,696
Sale of Services		251,892,928	204,478,965
<b>Total</b>		<u>5,488,091,071</u>	<u>6,666,141,338</u>
<b>NOTE 22 : OTHER INCOME :</b>			
Dividend (Includes foreign dividend Rs.540,416/- Previous Year Rs. 315,471/-, Withholding tax Rs.54,166/- Previous Year Rs. 31,560/-)		71,622,051	58,544,018
Interest Received (Gross) (Tax deducted Rs.34,802/-, Previous Year Rs.367,242/-)		2,028,781	12,406,856
Insurance Claim Received		1,666,450	203,195
Miscellaneous Receipts		35,991,372	43,044,841
Profit on Sale of Investments		9,412,000	-
Surplus on Sale of Assets		1,769,024	2,120,844
Sundry Credit Balances appropriated		5,498,187	4,101,812
Bad Debts / Liquidated Damages Recovered		297,633	4,520,197
Refund of Income Tax		-	8,131,876
Provisions no longer required Written Back		302,416	2,535,001
<b>Total</b>		<u>128,587,914</u>	<u>135,608,640</u>
<b>NOTE 23 : COST OF MATERIALS CONSUMED :</b>			
Raw Materials (including components) consumed :			
Stocks at commencement	568,905,093		375,766,944
Add : Purchases	2,745,713,416		3,909,147,971
	3,314,618,509		4,284,914,915
Less : Stocks at close	346,766,154		568,905,093
		<u>2,967,852,355</u>	<u>3,716,009,822</u>
<b>Total</b>		<u>2,967,852,355</u>	<u>3,716,009,822</u>
<b>NOTE 24 : CHANGES IN INVENTORIES :</b>			
(Increase) / Decrease in Stocks :			
Stocks at close :			
Work-in-Progress	298,584,328		193,775,372
Finished Goods	47,811,035		31,348,500
	346,395,363		225,123,872
Less : Stocks at commencement :			
Work-in-Progress	193,775,372		407,301,243
Finished Goods	31,348,500		20,499,714
	225,123,872		427,800,957
		<u>(121,271,491)</u>	<u>202,677,085</u>
<b>Total</b>		<u>(121,271,491)</u>	<u>202,677,085</u>
<b>NOTE 25 : EMPLOYEE BENEFITS EXPENSES :</b>			
Salaries, Wages, Bonus, etc.		627,995,034	550,757,542
Incentive		27,419,839	26,784,980
Contribution to Provident and Other Funds, etc.		62,964,300	48,322,647
Welfare Expenses		84,404,808	79,219,886
<b>Total</b>		<u>802,783,981</u>	<u>705,085,055</u>
<b>NOTE 26 : FINANCE COSTS :</b>			
Interest :			
On Loans		4,059,601	6,856,696
Other Borrowing Costs		9,079,845	5,090,627
<b>Total</b>		<u>13,139,446</u>	<u>11,947,323</u>
<b>NOTE 27 : DEPRECIATION AND AMORTISATION EXPENSE :</b>			
Depreciation of tangible assets		107,944,159	103,254,828
Amortisation of intangible assets		6,959,798	17,317,330
<b>Total</b>		<u>114,903,957</u>	<u>120,572,158</u>
<b>NOTE 28 : OTHER EXPENSES :</b>			
Stores and Spares Consumed		111,650,549	118,962,422
Manufacturing Expenses		200,650,070	204,554,118
Power, Fuel and Water		81,641,850	74,807,475
Building Repairs		36,256,003	49,778,026
Machinery Repairs		28,822,569	20,286,946
Sundry Repairs		17,002,671	23,399,884
Rent		7,154,960	4,850,225
Rates and Taxes		5,277,770	6,088,060
Insurance		5,365,037	6,310,725
Commission and Discount		106,987,788	109,987,499
Royalty		14,782,613	19,014,130
Travelling Expenses		85,297,244	77,654,444
Excise Duty, net		17,377,527	4,632,274
Sales Tax		2,323,936	2,684,213
Postage, Telephones, Telex Expenses		19,629,720	17,451,956
Bank Charges		19,864,383	23,133,705
Freight Outward		32,225,379	48,438,721
Vehicle Expenses		18,565,226	17,338,660
Printing and Stationery		8,330,657	9,132,556
Legal and Professional Charges		44,459,312	58,088,059
Advertisement and Publicity Expenses		8,749,813	10,063,677
Donations		18,201,000	18,400,000
Auditors' Remuneration		1,776,439	1,717,000
Directors' Fees and Travelling Expenses		4,333,553	6,177,374
Director's Remuneration :			
Salary		59,120,000	24,410,323
Loss on Assets sold, discarded, demolished or scrapped		158,495	2,632,341
Bad Debts and Sundry Debit Balances written off		6,084,438	5,257,985
Liquidated Damages		89,520,929	128,255,129
Miscellaneous Expenses		87,283,267	67,298,939
<b>Total</b>		<u>1,138,893,198</u>	<u>1,160,806,866</u>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013**
**29. Effects of changes in foreign exchange rates :**

The company, in terms of Notification issued by Ministry of Corporate Affairs on 31st March, 2009, had exercised the option of implementing the provisions of newly inserted Paragraph 46 of Accounting Standard 11, 'Accounting for the Effects of Changes in Foreign Exchange Rates', prescribed by Companies (Accounting Standards) Amendment Rules, 2009. The Company had outstanding long term foreign currency loan which was categorized as Long Term Foreign Currency Monetary Item as referred in the said notification. Outstanding foreign currency loan is stated at the rate at which it is fully swapped and therefore no effects of change in foreign exchange rates are required to be considered.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)

30 Disclosure pursuant to Accounting Standard - 15 (Revised) "Employee Benefits" :

- a. Defined Contribution Plans:  
Amount of Rs. 46,980,069/- (Previous Year Rs. 41,727,896/-) is recognised as expense and included in " Employee Benefits Expenses" in Note 25 in the Profit and Loss Account.
- b. Defined Benefit Plans:

i. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation :

		2012-13 Rs.	2011-12 Rs.
		<b>Gratuity</b>	
a.	Present value of Defined Benefit Obligation at the beginning of the year	146,108,679	145,481,596
b.	Interest cost	12,466,898	10,897,309
c.	Current service cost	11,360,534	9,688,664
d.	Acquisition adjustment	8,946,150	-
e.	Actuarial Losses / (Gains)	8,941,378	(1,428,412)
f.	Benefits paid	16,770,895	18,530,478
g.	Present value of Defined Benefit Obligation at the close of the year	171,052,744	146,108,679

ii. Changes in the fair value of Plan Assets and the reconciliation thereof:

		2012-13 Rs.	2011-12 Rs.
		<b>Gratuity</b>	
a.	Fair value of Plan Assets at the beginning of the year	145,657,015	144,124,683
b.	Add : Expected return on Plan Assets	13,915,595	12,474,850
c.	Add / (Less) : Actuarial Losses / (Gains)	877,174	(87,960)
d.	Acquisition adjustment	12,692,308	-
e.	Add : Contributions	9,307,692	7,500,000
f.	Less: Benefits Paid	16,770,895	18,530,478
g.	Fair value of Plan Assets at the close of the year (includes Rs.123.10 Lacs with trust, previous year Rs.31.26 Lacs)	163,924,541	145,657,015

iii. Amount Recognised in the Balance Sheet including a reconciliation of the present value of the defined obligation in (i) and the fair value of the plan assets in (ii) to the assets and liabilities recognised in the Balance Sheet:

		2012-13 Rs.	2011-12 Rs.
		<b>Gratuity</b>	
a.	Present value of Defined Benefit obligation	171,052,744	146,108,679
b.	Less: Fair value of Plan Assets - with LIC	151,614,641	142,536,515
c.	Less: Fair value of Plan Assets - with Trust	12,309,900	3,120,500
d.	Total Fair Value of Plan Assets	163,924,541	145,657,015
e.	Net Liability / (Asset) recognised in the Balance Sheet	7,128,203	451,664

iv. Amount recognised in the Profit and Loss Account are as follows :

		2012-13 Rs.	2011-12 Rs.
		<b>Gratuity</b>	
a.	Current Service Cost	11,360,534	9,688,664
b.	Interest Cost	12,466,898	10,897,309
c.	Expected return on Plan Assets	13,915,595	12,474,850
d.	Actuarial Losses / (Gains)	9,818,552	(1,516,372)
e.	Acquisition Cost	(3,746,158)	-
f.	Effect of curtailment / settlement	-	-
g.	Recognised in the Profit and Loss Account	15,984,231	6,594,751

v. Broad Categories of plan assets as a percentage of total assets as at 31.03.13

The plan assets are with Life Insurance Corporation of India and the Trust's Investments are in State Government Securities.

vi. Actuarial Assumptions at the Balance Sheet date:

		2012-13 Rs.	2011-12 Rs.
		<b>Gratuity</b>	
a.	Discount Rate	8.0%	8.5%
b.	Expected rate of return on Plan Assets	9.00%	9.00%
c.	Salary Escalation rate	5%	5%

Particulars	For the year ended	For the year ended	For the year ended	For the year ended
	March 31, 2013 Rs.	March 31, 2012 Rs.	March 31, 2011 Rs.	March 31, 2010 Rs.
Defined Benefit Obligation	171,052,744	146,108,679	145,481,596	138,599,297
Plan Assets	163,924,541	145,657,015	144,124,683	139,219,463
(Surplus) / Deficit	7,128,203	451,664	1,356,913	(620,166)
Experience Adjustment on plan liabilities (gain) / loss	4,935,680	3,136,303	-	-
Experience Adjustment on plan assets (gain) / loss	877,174	(87,960)	-	14,045,773

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

vii. General Descriptions of significant Defined plans:

Gratuity Plan:

The Company operates gratuity plan wherein every employee is entitled to the benefit as per the scheme of the Company, for each completed year of service. The same is payable on termination of service or retirement, whichever is earlier. The benefit vests only after five years of continuous service.

viii. The company has valued the compensated absences, as specified in AS 15 (Revised) on actuarial basis. Further Para 132 of AS 15 (Revised 2005) does not require any specific disclosure except where the expense resulting from compensated absences is of such size, nature or incidence that its disclosure is relevant under other accounting standards. In the opinion of the management, the expense resulting from compensated absences is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (Revised 2005).

31 Details of Segment Reporting

A.	Information about Business Segment - Primary (See Note below)	2012-13			2011-12		
		Compression Rs.	Transmission Systems Rs.	Total Equipments Rs.	Compression Rs.	Transmission Systems Rs.	Total Equipments Rs.
1	Segment Revenue						
	Sales	4,483,558,520	1,004,532,551	5,488,091,071	5,781,278,792	884,862,546	6,666,141,338
	Less: Inter Segment Revenue	-	-	-	-	-	-
	Net Revenue from Operations	4,483,558,520	1,004,532,551	5,488,091,071	5,781,278,792	884,862,546	6,666,141,338
2	Segment Result	883,184,194	100,490,774	983,674,968	1,090,456,574	46,229,799	1,136,686,373
	Less: Unallocable Corporate Expenses (Net of Income)			262,776,912			240,022,538
	Operating Profit before Interest			720,898,056			896,663,835
	Less: Interest			13,139,446			11,947,323
	Profit before Tax			707,758,610			884,716,512
3	Other Information						
	Segment Assets	2,118,775,148	825,635,367	2,944,410,515	2,337,315,941	802,093,061	3,139,409,002
	Add: Unallocable common assets			1,866,464,904			1,692,687,491
	Total Assets			4,810,875,419			4,832,096,493
	Segment Liabilities	1,372,029,913	300,654,335	1,672,684,248	1,658,227,419	257,558,189	1,915,785,608
	Add: Unallocable common liabilities			549,063,966			552,066,741
	Total Liabilities			2,221,748,214			2,467,852,349
4	Capital Expenditure During the year	204,368,232	19,730,569	224,098,801	115,161,915	3,799,051	118,960,966
5	Depreciation	72,280,706	39,394,909	111,675,614	75,431,114	44,689,348	120,120,462
	Add: Unallocable Depreciation			3,228,343			451,696
				114,903,957			120,572,158
B	Secondary Segment - Geographical by Customers						
1	Segment Revenue						
	In India			5,323,640,628			6,347,606,750
	Outside India			164,450,443			318,534,588
	Total			5,488,091,071			6,666,141,338



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)**

**31 Details of Segment Reporting (Contd.)**

- C Other Disclosures
1. Segments have been identified in line with the Accounting standard, AS-17 "Segment Reporting" (AS - 17), taking in to account the organisation structure as well as the differing risks and returns.
  2. Company has disclosed Business Segment as the primary segment.
  3. Composition of Business Segment  
Name of the Segment : Comprises of :  
a) Compression Systems Air and Gas Compressors, Airconditioning and Refrigeration Compressors and Systems etc.  
b) Transmission Equipments Power Transmission Equipments (Torque Converter), Reverse Reduction Gears for Marine Gear Engines, Industrial and Mobile application etc.
  4. The Segment Revenue, Results , Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis
  5. The Accounting Policies of the Segments are the same as those described in the Significant Accounting Policy as referred in Note 48 to the Financial Statement.

**32. Disclosure of Transactions with Related Parties as required by the AS-18**

(A) Name of the related party and nature of relationship where control exists

Names of Related parties		
1) Holding Company	Kirloskar Brothers Investments Ltd.	
2) Fellow Subsidiary	Kirloskar Oil Engines Ltd. Nashik Silk Industries Ltd.	
3) Key Management Personnel	Mr. Rahul C. Kirloskar Mr. Aditya Kowshik	Executive Chairman Managing Director
4) Relatives of Key Management Personnel	Mrs. Alpana Rahul Kirloskar Mrs. Suman C. Kirloskar Mr. Atul C. Kirloskar Mrs. Kavita Kowshik	Wife Mother Brother Wife

Note : Related Party relationship is as identified by the Company based on the available information and relied upon by the Auditors.

(B) Related Party Transactions

Nature of Transaction	Year	Holding Company	Fellow Subsidiary Company	Key Management Personnel	Relatives of Key Management Personnel	Amount in Rs.
						Total
Purchase of Goods/ Assets	2012-13	-	5,135,905	-	-	5,135,905
	2011-12	-	4,556,974	-	-	4,556,974
Sale of Goods / Assets	2012-13	-	9,560,000	-	-	9,560,000
	2011-12	-	-	-	-	-
Receiving of Services	2012-13	-	927,277	68,102,595	240,000	69,269,872
	2011-12	-	207,297	27,460,381	120,000	27,787,678
Rent Paid	2012-13	-	-	-	1,800,000	1,800,000
	2011-12	-	-	-	343,548	343,548
Dividend Paid	2012-13	83,930,112	-	1,386,948	2,503,452	87,820,512
	2011-12	77,967,048	-	1,386,948	2,503,452	81,857,448
Balance Outstanding Receivable	2012-13	-	1,044,105	-	-	1,044,105
	2011-12	-	-	-	-	-
Payable	2012-13	-	2,761,237	42,500,000	240,000	45,501,237
	2011-12	-	1,388,034	17,500,000	120,000	19,008,034
Deposit receivable	2012-13	-	125,000	-	10,000,000	10,125,000
	2011-12	-	125,000	-	10,000,000	10,125,000

Receiving of services includes Remuneration paid / payable to Key Managerial Personnel as per note no 33 and to Relatives of Key Managerial Personnel.

Transactions with fellow subsidiary are only with Kirloskar Oil Engines Ltd.

There are no loans and advances given in the nature of loans to aforementioned Related Parties.

There are no loans and advances given in the nature of loans to firms/companies in which directors are interested.

**33 Managerial Remuneration :**

a) Profit and Loss Account includes payments and provisions on account of Remuneration to the Executive Directors as under :

	2012-13			2011-12		Total
	Executive Chairman	Managing Director	Total	*Executive Chairman	**Managing Director	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Salary	12,000,000	4,200,000	16,200,000	2,290,323	4,200,000	6,490,323
House Rent Allowance	-	420,000	420,000	-	420,000	420,000
Commission	30,000,000	12,500,000	42,500,000	5,000,000	12,500,000	17,500,000
Contribution to:						
Provident Fund	1,440,000	504,000	1,944,000	274,839	504,000	778,839
Superannuation Fund	1,800,000	630,000	2,430,000	343,548	630,000	973,548
Gratuity Fund (Refer Note 1)	1,000,000	350,000	1,350,000	190,860	350,000	540,860
Other perquisites	2,606,356	652,239	3,258,595	406,675	350,136	756,811
<b>Gross Remuneration</b>	<b>48,846,356</b>	<b>19,256,239</b>	<b>68,102,595</b>	<b>8,506,245</b>	<b>18,954,136</b>	<b>27,460,381</b>

\*Appointed as Executive Chairman with effect from 23rd January 2012.

\*\*Redesignated as Managing Director with effect from 27th April 2011.

Note :

1. As the employee wise breakup of contribution to gratuity fund is not ascertainable, the same has been included on the basis of entitlement in the above figures for the purpose of computation of net profit in terms of Section 349 of Companies Act, 1956, as per rules of the company.
2. As the employee wise breakup of liability of leave entitlement, based on actuarial valuation, is not ascertainable, the same has not been included in the above figures, for the purpose of computation of Net Profit in terms of Section 349 of the Companies Act, 1956.

	2012-13	2011-12
	Rs.	Rs.
1 Net Profit as per Profit and Loss Account	707,758,610	884,716,512
2 <b>ADD</b>		
Directors Remuneration	71,822,595	32,585,381
Loss on sale of Assets	158,495	2,632,341
	<b>779,739,700</b>	<b>919,934,234</b>
3 <b>LESS</b>		
Profit on sale of Assets and Investments	11,181,024	2,120,844
	<b>11,181,024</b>	<b>2,120,844</b>
Net Profit U/S 349	768,558,676	917,813,390
Maximum permissible Remuneration payable to Executive Chairman and Managing Director.	76,855,868	91,781,339
Restricted to	68,102,595	27,460,381
Maximum permissible Commission payable to Non Executive Directors	7,685,587	9,178,134
Restricted to	3,720,000	5,125,000

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)

### 34 Leases

The Company has entered into agreements in the nature of Lease / Leave and License agreement with different Lessors / Licensors for the purpose of establishment of office premises / residential accommodations and assets. These are generally in nature of operating Lease / Leave and License and disclosure required as per accounting standard 19 with regard to the above is as under.

- a. Payment under Lease / Leave and License for period:
- 1) Not later than 1 year Rs. 4,400,731/-
  - 2) Later than 1 year but not later than 5 years Rs. 6,438,810/-
- b. There are no transaction in the nature of Sub Lease.
- c. Payments recognised in the Profit and Loss Account for the year ended 31st March, 2013 amounts to Rs.7,154,960/-
- d. Period of Agreement is generally for Eleven Months, in some cases extending upto five years and renewable at the option of Lessee.

### 36 Capital and other commitments:

	2012-13 Rs.	2011-12 Rs.
i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	177,315,567	72,946,160
ii. Guarantees given by Company's Bankers for Contracts undertaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bills and Second Charge on Fixed Assets. Amount outstanding as on 31st March 2013.	1,197,651,627	1,388,346,356

### 37 Payment to Auditors (Net of Service Tax):

	2012-13 Rs.	2011-12 Rs.
(a) As Auditors	1,500,000	1,500,000
(b) In Other Capacity	200,000	200,000
For Tax Audit	40,000	12,000
For Certificates	1,740,000	1,712,000
(c) For Expenses	31,439	-
	<u>1,771,439</u>	<u>1,712,000</u>

### 38 Proposed dividend

Dividend recommended per share	12	12
Dividend %	120	120

### 39 A. Contingent Liabilities not provided for in respect of:

Claims against the Company not acknowledged as Debts, estimated at	310,188,849	305,226,955
Income Tax Matters under Dispute	30,968,912	712,247
Disputed Central Excise Matters	2,400,872	2,394,872
Disputed Sales Tax Demands	1,157,000	1,157,000
Guarantees given by Company to Customers for the contracts undertaken in usual course of business	14,941,901	3,418,814

B. Claim for US \$ 10 million has been filed against the Company in the International Court of Arbitration. The Arbitration proceedings have been stayed by the Honorable High Court of Delhi. The Special Leave Petition filed by the plaintiff against the Order of High Court has been dismissed by the Honorable Supreme Court. Further the Honorable High Court of Delhi has transferred the matter to District Courts, Tis Hazari, Delhi on the grounds of pecuniary jurisdiction. Company has obtained an opinion from Senior Counsel stating that claim made by the plaintiff is not tenable.

### 40 Foreign Exchange Derivatives and Exposures hedged / not hedged at close of the year

#### (A) Foreign Exchange Derivatives

Nature of Instrument	Currency	Sale / Purchase	31.03.2013	31.03.2012
Forward Contracts	USD	Purchase	473,088	-
Currency Swap	USD	Purchase	1,375,000	2,750,000

All derivatives stated above are for the purpose of hedging the underlying foreign currency exposures.

#### (B) Exposure not hedged

Nature of Instrument	Currency	31.03.2013	31.03.2012
Receivable	GBP	10,619	4,371
	USD	653,987	438,852
	EUR	181,025	356,195
	JPY	-	4,907,620
	SEK	-	98,795
Payable	GBP	173,052	75,231
	USD	346,296	1,330,368
	EUR	91,938	580,141
	SEK	72,680	-

(c) Exchange differences on account of settlement / revaluation of foreign currency transactions in current account are included in Miscellaneous Expenses Rs. 2,279,378/- (Previous Year Rs. 10,239,299/-) if such differences are in the nature of expenses and in Miscellaneous Receipts Rs. Nil, (Previous Year Rs. Nil) if such differences are in the nature of gain.

41 The information as required to be disclosed under the "Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of information available with the company. Based on this information there are no Micro, Small and Medium Enterprises to whom the company owes dues, which are outstanding for more than 45 days as at 31st March, 2013.

	2012-13 Rs.	2011-12 Rs.
42 Value of Imports calculated on CIF basis		
Raw Materials	507,209,785	910,337,287
Components and Spares	33,952,134	23,286,037
Capital Goods	6,244,956	-
	<u>547,406,875</u>	<u>933,623,324</u>

### 43 Expenditure in Foreign Currencies (accrual basis):

(i) Royalty	-	1,407,308
(ii) Technical Knowhow	-	3,300,289
(iii) Interest	6,499,849	5,967,757
(iv) Professional Fees	1,795,965	20,667,846
(v) Other matters	42,137,028	35,952,344

### 44 Details of raw material consumed

Steel Bars and Plates	1,769,183	4,057,981
Pipes	7,367,171	10,029,449
Castings	40,314,969	40,559,536
Forgings	328,432,317	280,326,033
Foundry Raw material	28,539,827	35,217,966
Components	2,303,327,161	3,124,862,851
Others	258,101,727	220,956,006
	<u>2,967,852,355</u>	<u>3,716,009,822</u>

### 45 Imported and Indigenous Raw Materials, Components and Spares Consumption:

	2012-13		2011-12	
	Rs.	Percentage	Rs.	Percentage
<b>Raw Material</b>				
Imported	519,121,517	17.49	731,753,017	19.69
Indigenously obtained	2,169,226,355	73.09	2,755,470,435	74.15
	<u>2,688,347,872</u>	<u>90.58</u>	<u>3,487,223,452</u>	<u>93.84</u>
<b>Spares</b>				
Imported	40,958,326	1.38	21,069,306	0.57
Indigenously obtained	238,546,157	8.04	207,717,064	5.59
	<u>279,504,483</u>	<u>9.42</u>	<u>228,786,370</u>	<u>6.16</u>





**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)**

		2012-13	2011-12
46	<b>Earnings in Foreign Currencies (accrual basis)</b>	<b>Rs.</b>	<b>Rs.</b>
	(i) F.O.B. Value of Exports	164,450,443	318,534,588
	(ii) Dividend Received	540,416	315,471

47 **A. Deferred tax asset / liability**  
As required by Accounting Standard 22, "Accounting for taxes on Income", prescribed by Companies (Accounting Standards) Amendment Rules, 2009, the Company has recognised Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits aggregating Rs. 3,217,696/- in the Profit and Loss Account, The details of which are as under.

Particulars		Balance as at 1st April 2012	Arising During the year	Balance as at 31st March 2013
I.	Deferred Tax Liabilities			
	a. Depreciation	32,479,714	709,438	33,189,152
II.	Deferred Tax Assets			
	Disallowances under section 43b of the Income Tax Act	28,205,349	3,927,134	32,132,483
	Net Deferred Tax Liability	4,274,365	(3,217,696)	1,056,669

B. Current Tax includes Rs.24,203,021/- (PY Rs. Nil) in respect of earlier years.

48 **Significant accounting policies :**

- A. System of Accounting :
- (i) The Company, except under significant and uncertain circumstances, follows the mercantile system of accounting and recognises income and expenditure on accrual basis.
  - (ii) The Financial Statements are based on historical costs.
  - (iii) Insurance Claims are recognised upon acceptance of claim by the Insurance Companies.
  - (iv) Estimates and assumptions used in the preparation of the Financial Statements are based upon Management's evaluation of the relevant facts and circumstances as of the date of the financial statements which may differ from the actual results at a subsequent date.
- B. Tangible assets :
- (i) Tangible assets are carried at cost of acquisition or construction or at manufacturing cost in case of Company manufactured assets, less accumulated depreciation (except Freehold Land).
  - (ii) Depreciation on Assets (other than Freehold Land) :  
On Plant and Machinery given on Lease :  
Depreciation on Plant and Machinery given on Lease is being provided at the rates worked on Straight Line Method over the primary period of Lease Agreement or at the rate specified in Schedule XIV to the Companies Act, 1956, whichever is higher, on pro-rata basis.
- | Asset               | Primary Lease Period | Rate on Straight Line Method     |                              |
|---------------------|----------------------|----------------------------------|------------------------------|
|                     |                      | Over the primary Period of Lease | As specified in Schedule XIV |
| Plant and Machinery | 8 years              | 12.50%                           | 10.34%                       |
| Plant and Machinery | 5 years              | 20.00%                           | 10.34%                       |
- (i) Depreciation on Additions to the Fixed Assets up to 31<sup>st</sup> March, 1961, is being provided on "Written Down Value" Method in accordance with the Provisions of Section 205(2)(a) of the Companies Act, 1956, at the rates specified in Schedule No. XIV to the said Act.
  - (ii) Depreciation on Additions to Assets from 1st April, 1961, to 30th September, 1987, is being provided for on Straight Line basis in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956, pursuant to Circular No. 1/186/CLV No. 15-(50)84 CL VI dated 21st May, 1986, issued by the Department of Company Affairs, at the rates corresponding to the rates (inclusive of multiple shift allowance) applicable under the Income Tax Rules 1962 as in force at the time of acquisition / installation and on Additions on or after 1st October, 1987, on the same basis at the rates specified in Schedule No. XIV to the Companies Act, 1956.
  - (iii) Depreciation on assets of erstwhile Faridabad unit has been charged on Straight Line Method as per rates prescribed by Schedule XIV to the Companies Act, 1956. Depreciation on additions made after 16th December, 1993, has been charged on Straight Line Method at the revised rates as prescribed in Schedule XIV to the Companies Act 1956 and substituted by Notification GSR No.756 (E) dated 16th December, 1993, of the Department of Company Affairs, Government of India.
  - (iv) Depreciation on Additions to Fixed Assets is being provided on pro-rata basis from the month of acquisition or installation of the said Asset, as required by Schedule XIV to Companies Act, 1956.
  - (v) Depreciation on Additions to Vehicle is being provided on pro-rata basis from the month of acquisition over a period of five years, being the estimated useful life of the asset.
  - (vi) Depreciation on Additions, on account of increase in rupee value due to Foreign Exchange fluctuations, is being provided at the rates of depreciation over the future life of said assets.
  - (vii) Depreciation on Assets sold, discarded or demolished during the year is being provided at their respective rates up to the month in which such Assets are sold, discarded or demolished.
- C. Intangible assets :  
Expenditure on acquiring Technical Know-how (intangible asset) is being amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. Depreciation on Additions to Software is being provided on pro-rata basis from the month of installation, over a period of one year. (Also see note no.35)
- D. Investments :
- a. Long Term Investments are valued at Cost of acquisition less estimated diminution in value determined to be of permanent nature.
  - b. Current investments are mainly comprising of investments in mutual funds and are stated at lower of cost or fair value.
- E. Inventories :
- Cost of inventories have been computed to include all costs of Purchase, Cost of Conversion and other costs incurred in bringing inventories to their present location and condition.
- (i) The Stocks of Raw Materials and Components, Stores and Spares are valued at cost calculated on Weighted Average basis.
  - (ii) The Stocks of Work-in-Progress (including factory-made components) and Finished Goods are valued on the basis of Full Absorption Cost of attributable factory overheads or net realisable value, whichever is lower.
  - (iii) Goods in Transit are stated at actual cost to the date of Balance Sheet.
  - (iv) Jigs and Fixtures, Patterns and Dies are valued at Full Absorption Cost of attributable factory overheads and written off equally, over an estimated effective life of three years.
  - (v) Unserviceable and absolute Raw Materials are valued at an estimated realisable value.
  - (vi) Imported Materials lying in Bonded Warehouse, are valued at cost to the date of Balance Sheet.
  - (vii) Excise / Customs Duty :  
Excise Duty on Finished Goods and Customs Duty on imported materials are accounted on production of Finished Goods / Receipt of materials in Customs Bonded Warehouse.
- F. Foreign Currency Conversion :
- a. Initial Recognition  
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
  - b. Conversion  
Current assets and current liabilities, Secured Loans designated in foreign currencies are revalued at the rate prevailing on the date of Balance Sheet.
  - c. Exchange Differences  
Exchange differences arising on the settlement and conversion on foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which they are adjusted in the cost of the corresponding asset. Further, as per Ministry of Corporate Affairs Notification dated 31<sup>st</sup> March 2009, eligible exchange difference on foreign currency loans is adjusted in the cost of the asset to be depreciated over the balance life of the asset. (For change and effect see Note no. 29)
  - d. Forward Contracts  
Company uses foreign exchange forward contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange forward contracts reduces the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose.  
In respect of foreign exchange forward contracts, difference between forward contract rate and exchange rate prevailing on the date of forward contract (i.e. forward premium / discount) is amortised as income or expense over the life of the contract, except in respect of the liabilities for the acquisition of qualifying assets, where such amortization is adjusted in the cost of the corresponding asset.
- G. Borrowing Cost :  
Borrowing cost directly attributable to the acquisition / construction or production of qualifying asset are capitalised in the month in which the said asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expense in the period in which these are incurred.
- H. Sales :
- (i) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery to customers. Sales are stated net of discounts, rebates, returns etc.
  - (ii) Export Sales are accounted for on the basis of dates of Bills of Lading.
  - (iii) Construction Contract Sales :  
In respect of Construction Contracts undertaken by the Company, the expenditure to the date of Balance Sheet on incomplete contracts wherein profit cannot be estimated reliably, is recognised as sales to the extent recoverable from the customer.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (Contd.)

- I. Income Tax:  
Tax Expense comprises both current and deferred tax. Provision for current tax is made on the basis of taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961.  
Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for, at prevailing or substantially enacted rate of tax to the extent timing differences are expected to crystallise, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.
- J. Employee Benefits:
- (A) Short term Employee Benefits :  
All employee benefits payable within twelve months of rendering of the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, ex gratia etc. and are recognised in the period in which the employee renders the related service.
- (B) Post Employment Benefits:
- (i) Defined Contribution Plans :  
The Company's approved superannuation scheme, State government provident fund scheme and employee state insurance scheme are defined contribution plans. The contribution paid / payable under the scheme is recognised during the period in which the employee renders the related service.
- (ii) Defined Benefits Plans:  
The employee's gratuity fund scheme, long term compensated absences are company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected unit Credit Method, as at the date of the balance Sheet.
- (iii) In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plan.
- (iv) Termination benefits are recognised as an expense as and when incurred.
- K. Provisions:  
Provisions are recognised when there is a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and which can be reliably estimated.

49 Previous years figures have been regrouped wherever necessary to make them comparable with those of the current year.

As per our attached report of even date

For and on behalf of the Board of Directors

For **M/s P. G. Bhagwat**  
Firm Registration No. 101118W  
Chartered Accountants

**S. S. Athavale**  
Partner  
Membership No. 83374  
Pune, April 24, 2013

**Aditya Kowshik**  
Managing Director

**Jitendra Shah**  
Company Secretary

**Rahul C. Kirloskar**  
Executive Chairman

**Suhas S. Kolhatkar**  
Vice President & Finance Controller  
Pune, April 24, 2013



# KIRLOSKAR PNEUMATIC COMPANY LIMITED

REGISTERED OFFICE : HADAPSAR INDUSTRIAL ESTATE, PUNE 411 013

## ATTENDANCE SLIP

PLEASE BRING THIS ATTENDANCE SLIP AND HAND IT OVER AT THE VENUE OF THE MEETING AT PUDUMJEE HALL, MAHRATTA CHAMBER OF COMMERCE, INDUSTRIES AND AGRICULTURE, PUNE - 411 002.

NAME & ADDRESS OF THE MEMBER

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

FOLIO NO.

DP ID\*

CLIENT ID \*

I/We hereby record my/our presence at the Annual General Meeting of the Company at the Pudumjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune 411 002 on Tuesday, the 23rd July 2013 at 02.30 p.m.

SIGNATURE OF THE MEMBER OR PROXY

\_\_\_\_\_  
\_\_\_\_\_

SHARE(S) HELD

\_\_\_\_\_  
\_\_\_\_\_

\* Applicable to members holding shares in Electronic Form

# KIRLOSKAR PNEUMATIC COMPANY LIMITED

REGISTERED OFFICE : HADAPSAR INDUSTRIAL ESTATE, PUNE 411 013

## PROXY FORM

I / We.....of  
.....of.....in the  
district of.....being a member(s) of the above named Company  
hereby appoint.....of.....in the district  
of.....or failing him / her  
.....of.....in the district of  
.....asmy / our Proxy to vote for me / us on my / our behalf at the Annual  
General Meeting of the Company to be held on Tuesday, the 23rd July 2013 at 02.30 p.m. and at any adjournment thereof.

Signed this.....day of.....2013

FOLIO NO.	SHARES HELD	
*DP ID	*CLIENT ID	

Affix  
Revenue  
Stamp

\* Applicable to members holding shares in Electronic Form

NOTE : The Proxy Form must be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the meeting.



*'Enriching Lives ' through Custom Engineered Compression Systems used in domestic LPG filling stations*



*KPCL 's Corporate Social Responsibility is implemented and sustained for employees as well as for identified communities*



*1 MW Planetary Gearbox for Windmills.*



*Partnered with Oil and Gas majors in the country for Carbon Footprint Reduction and recovery of valuable Hydrocarbons through Innovative Flare Gas Recovery Systems.*



Enriching Lives

**KIRLOSKAR PNEUMATIC CO. LTD.**

Regd. Office: Hadapsar Industrial Estate, Pune 411 013, INDIA.

Tel.: +91 (20) 2672 7000. Fax: +91 (20) 2687 0297 / 2681 2822

E-mail: [sec@kpcl.net](mailto:sec@kpcl.net) | Website: [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com), [www.kirloskar.com](http://www.kirloskar.com)



**KIRLOSKAR PNEUMATIC COMPANY LIMITED**

Enriching Lives

**FORM A**

**Format of covering letter of the Annual Audit Report to be filled with the Stock Exchanges**

1	Name of the Company	Kirloskar Pneumatic Co Ltd
2	Annual Financial Statements for the year ended	March 31, 2013
3	Type of Audit Observation	Un-qualified
4	Frequency of observation	Not Applicable
5	To be signed by	
	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>	<p><i>+ Aditya Kowshik.</i> ADITYA KOWSHIK</p>
	<ul style="list-style-type: none"> <li>• CFO</li> </ul>	<p><i>+ Kollhatkar</i> SUHAS S KOLHATKAR</p>
	<ul style="list-style-type: none"> <li>• Auditor of the Company</li> </ul>	<p>M/S P.G.BHAGWAT CHARTERED ACCOUNTANTS (FRN: 101118W) <i>A. Navale</i> (S.S. Athavale) Partner, Membership No. 83</p>
	<ul style="list-style-type: none"> <li>• Audit Committee Chairman</li> </ul>	<p><i>A. C. Mukherji</i> A. C. MUKHERJI</p>

